NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024
(All amounts in RMB millions unless otherwise stated)

1. ORGANISATION AND PRINCIPAL ACTIVITIES

China Unicom (Hong Kong) Limited (the "Company") was incorporated as a limited liability company in the Hong Kong Special Administrative Region ("Hong Kong"), the People's Republic of China (the "PRC") on 8 February 2000. The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are the provision of comprehensive telecommunications services. The Company and its subsidiaries are hereinafter referred to as the "Group". The address of the Company's registered office is 75th Floor, The Center, 99 Queen's Road Central, Hong Kong.

The shares of the Company were listed on The Stock Exchange of Hong Kong Limited ("SEHK") on 22 June 2000.

The substantial shareholders of the Company are China Unicom (BVI) Limited ("Unicom BVI") and China Unicom Group Corporation (BVI) Limited. The majority of equity interests in Unicom BVI is owned by China United Network Communications Limited (hereinafter referred to as "A Share Company"), a joint stock company incorporated in the PRC on 31 December 2001, with its A shares listed on the Shanghai Stock Exchange on 9 October 2002.

The directors of the Company consider Unicom BVI and China United Network Communications Group Company Limited (a state-owned enterprise established in the PRC, hereinafter referred to as "Unicom Group") as the immediate holding company and ultimate holding company, respectively.

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the SEHK (the "Listing Rules") and the Hong Kong Companies Ordinance.

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.2 Basis of preparation

The consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments that are measured at fair values at the end of each reporting period.

The consolidated financial statements prepared by the PRC subsidiaries for PRC statutory reporting purposes are based on Chinese Accounting Standards for Business Enterprises issued by the Ministry of Finance (the “MOF”) of the PRC, which became effective from 1 January 2007 with certain transitional provisions. The Group also prepared consolidated financial statements in accordance with Chinese Accounting Standards for Business Enterprises (“PRC financial statements”). There are certain differences between the Group’s HKFRS financial statements and PRC financial statements. The principal adjustments made to PRC financial statements to conform to HKFRSs include the following:

- reversal of the revaluation surplus or deficit and related amortisation charges arising from the revaluation of prepayments for the leasehold land performed by independent valuers for the purpose of reporting to relevant PRC government authorities, and adjustment for corresponding deferred taxation;
- recognition of goodwill associated with the acquisition of certain subsidiaries prior to 2005; and
- recognition of the dilution gain or loss of interest in equity method investees.

(a) Going Concern Assumption

As at 31 December 2024, current liabilities of the Group exceeded current assets by approximately RMB111.9 billion (2023: approximately RMB105.6 billion). Considering the current economic conditions and taking into account of the Group’s expected capital expenditure in the foreseeable future, management has comprehensively considered the Group’s available sources of funds as follows:

- The Group’s continuous net cash inflows from operating activities;
- Approximately RMB229.1 billion of revolving banking facilities of which approximately RMB220.9 billion was unutilised as at 31 December 2024; and
- Other available sources of financing from domestic banks and other financial institutions in view of the Group’s good credit history.

In addition, the Group believes that it has the ability to raise funds from short, medium and long-term perspectives and maintain reasonable financing costs through appropriate financing portfolio.

Based on the above considerations, the Board of Directors is of the opinion that the Group has sufficient funds to meet its working capital commitments, expected capital expenditure and debt obligations. As a result, the consolidated financial statements of the Group for the year ended 31 December 2024 have been prepared on a going concern basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(All amounts in RMB millions unless otherwise stated)

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.2 Basis of preparation (Continued)

(b) Critical Accounting Estimates and Judgment

The preparation of the consolidated financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the 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 these estimates.

The estimates and underlying 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 HKFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in Note 4.

(c) Accounting Standards Amendments

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKFRS 16, "Lease Liability in a Sale and Leaseback"
- Amendments to HKAS 1, "Classification of Liabilities as Current or Non-current" and related amendments to Hong Kong Interpretation 5 (2020)
- Amendments to HKAS 1, "Non-current Liabilities with Covenants"
- Amendments to HKAS 7 and HKFRS 7, "Supplier Finance Arrangements"

In addition, the Group applied the agenda decision of the International Financial Reporting Standard Interpretations Committee of the International Accounting Standard Board (the "Committee"), including "Climate-related Commitments" (IAS 37, "Provisions, Contingent Liabilities and Contingent Assets"), which is relevant to the Group. The Committee's agenda decisions include explanatory material that explains how the applicable principles and requirements in IFRS Accounting Standards apply to the transaction or fact pattern described in the agenda decision. Given that HKFRSs Standards are largely converged aligned with IFRS Accounting Standards, the agenda decision of the Committee is equally applicable for entities reporting under HKFRSs.

The application of the above amendments and agenda decision have had no material effect on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.2 Basis of preparation (Continued)

(d) New standard and amendments to HKFRSs in issue but not yet effective:

The HKICPA has issued a number of new and amendments to HKFRSs which are not yet effective for the year ended 31 December 2024 and which have not been early adopted in these consolidated financial statements.

	Effective for accounting periods beginning on or after
• Amendments to HKAS 21, "Lack of Exchangeability"	1 January 2025
• Amendments to HKFRS 9 and HKFRS 7, "Amendments to the Classification and Measurement of Financial Instruments"	1 January 2026
• Amendments to HKFRS 9 and HKFRS 7, "Contracts Referencing Nature-dependent Electricity"	1 January 2026
• Amendments to HKFRS 10 and HKAS 28, "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	to be determined
• Amendments to HKFRS Accounting Standards, "Annual Improvements to HKFRS Accounting Standards — Volume 11"	1 January 2026
• HKFRS 18, "Presentation and Disclosure in Financial Statements"	1 January 2027

The Group has not applied any new standard and amendments to HKFRSs that is not yet effective for the current accounting period. The Group is assessing the impact of such new standard and amendments to standards, and will adopt the relevant new standard and amendments in the subsequent periods as required. Except for the new HKFRS mentioned below, the Group anticipates that the application of all other amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024
(All amounts in RMB millions unless otherwise stated)

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.2 Basis of preparation (Continued)

(d) New standard and amendments to HKFRSs in issue but not yet effective (Continued):

HKFRS 18, "Presentation and Disclosure in Financial Statements"

HKFRS 18, "Presentation and Disclosure in Financial Statements", which sets out requirements on presentation and disclosures in financial statements, will replace HKAS 1, "Presentation of Financial Statements". This new HKFRS Accounting Standard, while carrying forward many of the requirements in HKAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some HKAS 1 paragraphs have been moved to HKAS 8 and HKFRS 7. Minor amendments to HKAS 7, "Statement of Cash Flows" and HKAS 33, "Earnings per Share" are also made.

HKFRS 18 and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the statement of profit or loss and disclosures in the future financial statements. The Group is in the process of assessing the detailed impact of HKFRS 18 on the Group's consolidated financial statements.

2.3 Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

The Group adopted the purchase method of accounting to account for business combination of entities and businesses under common control before 2005. Under the purchase method of accounting in force at the date of the acquisition, the cost of an acquisition was measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed were measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired was recorded as goodwill. If the cost of acquisition was less than the fair value of the Group's share of the identifiable net assets of the subsidiary acquired, the difference was recognised directly in the consolidated statement of income.

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.3 Subsidiaries and non-controlling interests (Continued)

Under HKFRSs, business combination of entity and business under common control of the Group after 2005 was accounted for using merger accounting in accordance with the Accounting Guideline 5 "Merger accounting for common control combinations" ("AG 5").

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group elects to measure non-controlling interests at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of income and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with Note 2.20 depending on the nature of the liability.

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 (see Note 2.12) or, when appropriate, the cost on initial recognition of an investment in an associate or a joint venture (see Note 2.4).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses, unless the investment is classified as held for sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024
(All amounts in RMB millions unless otherwise stated)

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.4 Associates, joint ventures and joint arrangement

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment. The Group's share of the post-acquisition post-tax results of the investees and any impairment losses are recognised in the consolidated statement of income, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised as other comprehensive income in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture (after applying the ECL model to such other long-term interests where applicable).

Unrealised profits and losses resulting from transactions between the Group and its associates and joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.4 Associates, joint ventures and joint arrangement (Continued)

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, 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 former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities.

A joint operation is a joint arrangement whereby the Group and other parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the joint arrangement.

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

To better share the risks and rewards associated with the construction, operation and maintenance of the 5G network infrastructure, the Group entered into a framework agreement with China Telecom Corporation Limited (“China Telecom”) to build, maintain and share one nationwide 5G access network infrastructure (the “Cooperation Agreement”). In accordance with the Cooperation Agreement, each of the Group and China Telecom is responsible for the construction and maintenance of 5G network infrastructure in their respective designated regions, and bears the associated construction, maintenance and operating costs. Both parties have established a joint operation mechanism and key decisions including overall network planning, construction project commencement and completion acceptance and a unified standard on construction and maintenance services across all regions are subject to mutual agreement by both parties.

The Group has accounted for the arrangement as a joint operation that is not structured through a separate vehicle, and has recognised its share of assets, liabilities, revenues and expenses in accordance with the terms of the arrangement.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (the “CODM”). The CODM, who is responsible for allocating resources and assessing performance of the operating segments regularly, has been identified as the executive directors of the Company that make strategic decisions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(All amounts in RMB millions unless otherwise stated)

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entities operate (the "functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. When a fair value gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is also recognised in profit or loss. When a fair value gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is also recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the statement of financial position;

- Income and expenses for each statement presenting profit or loss and other comprehensive income are translated at average exchange rates (unless the use of the average rate for a period is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

- All resulting exchange differences are recognised in other comprehensive income and as a separate component of equity into other reserves.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are recognised in other comprehensive income. When a foreign operation is sold, such exchange differences attributable to the equity shareholders of the Company are reclassified to the statement of income as part of the gain or loss on disposal.

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.7 Property, plant and equipment

(a) Construction-in-progress

Construction-in-progress ("CIP") mainly represents buildings, plant and equipment under construction and pending installation, and is stated at cost less accumulated impairment losses. Costs include construction and acquisition costs, and interest charges arising from borrowings used to finance the assets during the construction period. No provision for depreciation is made on CIP until such time as the assets are completed and ready for its intended use. When the asset being constructed becomes available for use, the CIP is transferred to the appropriate category of assets.

(b) Property, plant and equipment

Property, plant and equipment held by the Group are stated at cost less accumulated depreciation and accumulated impairment losses, and are depreciated over their expected useful lives.

Property, plant and equipment comprise buildings, telecommunications equipment, leasehold improvements, office furniture, fixtures, motor vehicles and other equipment. The cost of an asset, except for those acquired in exchange for a non-monetary asset or assets, comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use, including costs of testing whether the related assets is functioning properly.

If an item of property, plant and equipment is acquired in exchange for another item of non-monetary assets, the cost of such an item of property, plant and equipment is measured at fair value unless (i) the exchange transactions lacks commercial substance or (ii) the fair value of neither the asset received nor the asset given up is reliably measurable. If the acquired item is not measured at fair value, its cost is measured at the carrying amount of the asset given up.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable at the time the costs are incurred that future economic benefits associated with the item will flow to the Group, and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of income during the financial period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(All amounts in RMB millions unless otherwise stated)

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.7 Property, plant and equipment (Continued)

(c) Depreciation

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs less their residual values over their estimated useful lives, as follows:

	Depreciable life	Residual rate
Buildings	10-30 years	3%
Telecommunications equipment	5-10 years	0-3%
Office furniture, fixtures, motor vehicles and other equipment	5-10 years	3%

Leasehold improvements are depreciated over the shorter of their estimated useful lives and the lease terms.

The assets' residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each date of the statement of financial position. During the year, the Group changed the depreciable life of 4G wireless-related equipment from 7 years to 10 years with effect from 1 October 2024. The effect of such change in accounting estimate is disclosed in Note 15.

(d) Gain or loss on disposal of property, plant or equipment

Gains or losses on disposal of property, plant or equipment are determined by comparing the net sales proceeds with the carrying amounts, and are recognised in the consolidated statement of income.

2.8 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiaries at the date of acquisition. Goodwill is tested at least annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gain or loss on the disposal of an entity includes the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to a cash-generating unit (or group of cash-generating units) for the purpose of impairment testing, which are expected to benefit from the synergies of business combination in which the goodwill arose and represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the cash-generating unit (or group of cash-generating units).

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.9 Contract costs

Contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory (see Note 2.15), property, plant and equipment (see Note 2.7) or intangible assets.

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, e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalised when incurred if the costs are expected to be recovered, unless the expected amortisation period is one year or less from the date of initial recognition of the asset, in which case the costs are expensed when incurred. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract, generate or enhance resources that will be used to provide goods or services in the future and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract. Other costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses (see Note 2.13).

Amortisation of capitalised contract costs is charged 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.

2.10 Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see Note 2.25) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL in accordance with the policy set out in Note 2.14 and are reclassified to receivables when the right to the consideration has become unconditional (see Note 2.16).

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.

The Group provides subscriber points reward program, the transaction price of providing telecommunications services and the subscriber points reward is allocated based on their standalone selling price. 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 points are redeemed or expired.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024
(All amounts in RMB millions unless otherwise stated)

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.11 Other assets

Other assets mainly represent (i) computer software; (ii) long-term prepaid services charges for transmission lines and electricity cables.

(i) Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives on a straight-line basis.

(ii) Long-term prepaid services charges for transmission lines and electricity cables are amortised using a straight-line method over service period.

2.12 Financial assets and financial liabilities

The Group classifies its financial assets into two measurement categories: those measured at amortised cost and those measured at fair value. The determination is made at initial recognition and the classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

Financial assets measured at amortised cost

Financial assets are classified under this category if they satisfy both of the following conditions:

- The assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows on the financial assets, but not for the purpose of realising fair value gains; and

- The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, with interest being the consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time.

Cash and cash equivalents, long-term bank deposits, short-term bank deposits and restricted deposits, accounts receivable, certain financial assets included in prepayments and other current assets, amounts due from ultimate holding company, amounts due from related parties, amounts due from domestic carriers and certain other assets are classified under this category.

Financial assets under this category are carried at amortised cost using effective interest method less provision for impairment. The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. Interest income is recognised in the consolidated statement of income using the effective interest method and disclosed as interest income.

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. Gains and losses arising from derecognition of financial assets, being the differences between the net sales proceeds and the carrying values, are recognised in the consolidated statement of income.

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.12 Financial assets and financial liabilities (Continued)

Financial assets measured at fair value

Investments and other financial assets are classified under this category if they do not meet the conditions to be measured at amortised cost. Financial assets under this category are debt and equity investments carried at fair value.

Debt investments are classified as FVOCI (recycling), if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of ECLs, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment, the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such irrevocable elections are made on an instrument-by-instrument basis at the time of initial recognition, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the investment revaluation reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the investment revaluation reserve (non-recycling) is transferred to retained profits. It is not recycled through profit or loss. Fair value gains or losses of financial assets measured at FVPL and dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in Note 2.27.

Financial liabilities

The Group's financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVPL.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset as a 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(All amounts in RMB millions unless otherwise stated)

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.13 Impairment of non-financial assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, intangible assets with finite useful lives and contract costs to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets that are not yet available for use are not subject to amortisation and are tested for impairment at each date of the statement of financial position and whenever there is an indication that they may be impaired. For the purpose of assessing impairment, assets are estimated individually, or when it is not possible, grouped at the smallest levels for which there are largely independent identifiable cash inflows of those from other assets or groups of assets (the "cash-generating unit"). Before the Group recognises an impairment loss for assets capitalised as contract costs under HKFRS 15 "Revenue from contracts with customers" ("HKFRS 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. An impairment loss is recognised for the amount by which the asset's (or the cash-generating unit's) carrying amount exceeds its recoverable amount. The recoverable amount is the higher of (i) fair value less costs of disposal and (ii) value in use.

2.14 Credit losses from financial instruments and contract assets

The Group recognises a loss allowance for ECLs on the following items:

— financial assets measured at amortised cost (including cash and cash equivalents, long-term bank deposits, short-term bank deposits and restricted deposits, accounts receivable, certain financial assets included in prepayments and other current assets, amounts due from ultimate holding company, amounts due from related parties, amounts due from domestic carriers and certain other assets);

— contract assets as defined in HKFRS 15 (see Note 2.10); and

— debt securities measured at FVOCI (recycling).

Financial assets measured at fair values, including financial assets measured at FVPL and financial assets measured at FVOCI (non-recycling), are not subject to the ECL assessment.

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.14 Credit losses from financial instruments and contract assets (Continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

— twelve-month ECLs: these are losses that are expected to result from possible default events within the twelve months after the reporting date; and

— lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for accounts receivable and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on financial assets assessed on collective basis are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to twelve months ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024
(All amounts in RMB millions unless otherwise stated)

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.14 Credit losses from financial instruments and contract assets (Continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. 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 since initial recognition:

— 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.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. Except for debt securities measured at FVOCI (recycling),the Group recognises an impairment gain or loss for all other financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, while corresponding adjustment of debt securities measured at FVOCI (recycling) is made to other comprehensive income without reducing its carrying amount.

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.14 Credit losses from financial instruments and contract assets (Continued)

Credit-impaired financial assets

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— 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 becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

— the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. 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 the consolidated statement of income.

2.15 Inventories

Inventories, which primarily comprise handsets and accessories, are stated at the lower of cost and net realisable value. Cost is based on the first-in-first-out method and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value for all the inventories is determined on the basis of anticipated sales proceeds less estimated costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and other costs necessary to sell inventories.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024
(All amounts in RMB millions unless otherwise stated)

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.16 Accounts receivable

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see Note 2.10).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see Note 2.14).

2.17 Short-term bank deposits and restricted deposits

Short-term bank deposits are cash invested in fixed-term deposits with original maturities ranging from more than three months to one year.

Restricted deposits mainly included statutory reserve deposits with the People's Bank of China (the "PBOC") placed by Finance Company and customers deposit placed by Unicompay Company Limited for e-payment services.

2.18 Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprise of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

2.19 Government grants

Government grants are recognised in the consolidated statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the same period in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised as deferred revenue which consequently are effectively recognised in profit or loss over the useful life of the asset.

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.20 Borrowings

Borrowings refer to bank loans are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of income over the period of the instruments using the effective interest method.

2.21 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issuance of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's ordinary shares (treasury shares), the consideration paid, including any directly attributable incremental costs (net of tax) is deducted from equity attributable to equity shareholders of the Company and no gain or loss shall be recognised in the consolidated statement of income.

2.22 Employee benefits

(a) Retirement benefits

The Group participates in defined contribution pension schemes. For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group is required to make contributions to the pension insurance plans at certain percentage of the employees' payroll. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a reduction in the future payments is available. For the years ended 31 December 2024 and 2023, no forfeited contributions may be used by the Group to reduce the existing level of contributions.

(b) Medical insurance

The Group's contributions to basic and supplementary medical insurances are expensed as incurred. The Group has no further payment obligations once the contributions have been paid.

(c) Housing benefits

One-off cash housing subsidies paid to PRC employees are charged to the consolidated statement of income in the year in which it is determined that the payment of such subsidies is probable and the amounts can be reasonably estimated.

The Group's contributions to the housing fund, special monetary housing benefits and other housing benefits are expensed as incurred. The Group has no further payment obligations once the contributions have been paid.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024
(All amounts in RMB millions unless otherwise stated)

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.22 Employee benefits (Continued)

(d) Supplementary benefits

In addition to participating in local governmental defined contribution social insurance, individual subsidiaries of the Group also provide other post retirement supplementary benefits to their employees, including supplementary pension allowance, reimbursement of medical expenses and supplementary medical insurance. These post retirement supplementary benefits are accounted as defined benefit plan. For defined benefit plan, the Group's obligation for this benefit plan is determined using the projected unit credit method and recognised as liability, with actuarial valuation carried out at the end of each annual reporting period.

The actuarial valuation was carried out by Willis Towers Watson (Member of China Association of Actuaries), a qualified independent actuary. Actuarial assumptions mainly include discount rate and future mortality etc. This defined benefit plan does not have any plan assets. The present value of the defined benefit obligation is included in non-current other obligations and salary and welfare payables (current portion). As at 31 December 2024, the amount of the liability was RMB140 million (2023: RMB117 million). The remeasurement of liability is recognised in other comprehensive income, which is not allowed to reverse to profit or loss in subsequent period. Past service cost is recognised in profit or loss in the period of a plan amendment or curtailment and a gain or loss on settlement is recognised when settlement occurs.

(e) Share-based compensation costs

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the share options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options granted at the grant date excluding the impact of any non-market vesting conditions (for example, revenue and profit targets) and is not subsequently remeasured. However, non-market vesting conditions are considered in determining the number of options that are expected to vest. At each date of the statement of financial position, the Group revises its estimates of the number of share options that are expected to vest. The Group recognises the impact of the revision of original estimates, if any, in the consolidated statement of income of the period in which the revision occurs, with a corresponding adjustment to equity.

The equity amount is recognised in other reserves until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.22 Employee benefits (Continued)

(f) Restricted A-Share Incentive Scheme

Restricted shares granted by A Share Company to the employees of the Group is treated as a capital contribution. The fair value of the core employee services received in exchange for the grant of the restricted shares is recognised as an expense over the vesting period, with a corresponding credit to equity. The total amount to be expensed is determined by reference to the fair value of the granted shares measured as of the grant date less the subscription price.

At the end of each reporting period, the Group revises its estimates of the number of restricted shares that are expected to be vested. The impact of the revision of the original estimates, if any, is recognised in profit or loss, with a corresponding adjustment to equity.

2.23 Accounts payable

Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if settlement is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Accounts payable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.24 Provisions

Provisions are recognised when the Group has present legal or constructive obligations as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small (if the other recognition criteria are met).

Provisions are measured at the present value of the pre-tax amount of expenditures expected to be required to settle the obligation that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024
(All amounts in RMB millions unless otherwise stated)

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.25 Revenue recognition

Income is classified by the Group as revenue when it arises from the provision of services and the sale of goods in the ordinary course of the Group's business.

Revenue is recognised when a performance obligation is satisfied (i.e. when control over a product or service is transferred to the customer) at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same. For contracts that contain more than one performance obligations, 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.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than twelve months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is twelve months or less.

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.25 Revenue recognition (Continued)

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;
- 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.

Further details of the Group's revenue recognition policies are as follows:

- Voice usage and monthly fees are recognised when the services are rendered;
- Revenues from the provision of broadband and mobile data services are recognised when the services are provided to customers;
- Data and internet application service revenues, which mainly represent revenue from the provision of data storage and application, information communications technology and other internet related services, are recognised during the period of fulfillment of services obligation;
- Other value-added services revenues, which mainly represents revenue from the provision of services such as short message, cool ringtone, personalised ring, caller number display and secretarial services to subscribers etc., are recognised when services are rendered;
- Interconnection fees, which represent revenue from other domestic and foreign telecommunications operators for the use of the Group's telecommunications network, are recognised when services are rendered;
- Revenue from transmission lines usage and associated services, which mainly represent income from offering transmission lines and customer-end equipment to customers for usage and related services, are recognised upon fulfillment of services obligation over the respective usage and service period;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(All amounts in RMB millions unless otherwise stated)

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.25 Revenue recognition (Continued)

- Standalone sales of telecommunications products, which mainly represent handsets and accessories, and telecommunications equipment, are recognised when control has been transferred to the buyers;

- The Group offers preferential packages to customers which include bundle sale of mobile handsets and provision of services. The total contract consideration of such preferential packages is allocated to service revenue and sales of handsets based on their standalone selling prices. Revenue relating to the sale of handset is recognised when the title is passed to the customer whereas service revenue is recognised based upon the actual usage of telecommunications services.

In general, revenue from rendering of telecommunication services are recognised over-time during the period of fulfillment of services obligation using output method, whereas revenue from sales of handsets and other telecommunications equipment are treated as separate performance obligations, are recognised at a point in time.

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.

2.26 Interest income

Interest income from deposits in banks or other financial institutions is recognised on a time proportion basis, using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost of the asset.

2.27 Dividend income

Dividend income is recognised when the right to receive payment is established.

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.28 Lease

At inception of a contract, the Group assesses whether the contract is, or contains, 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. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

(a) As a lessee

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases of primarily computers and office furniture that have a lease term of 12 months or less and do not contain a purchase option and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is adjusted by interest accretion and lease payments. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Note 2.13). Right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024
(All amounts in RMB millions unless otherwise stated)

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.28 Lease (Continued)

(a) As a lessee (Continued)

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term 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 assets.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period. The Group presents right-of-use assets and lease liabilities separately in the consolidated statement of financial position.

(b) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in Note 2.28(a), then the Group classifies the sub-lease as an operating lease.

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.29 Borrowing costs

Borrowing costs are expensed as incurred, except for interest directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use, in which case they are capitalised as part of the cost of that asset. Capitalisation of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and the activities to prepare the asset for its intended use are in progress. Borrowing costs are capitalised up to the date when substantially all the activities necessary to prepare the project is completed and ready for its intended use.

To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined at the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalised during a period does not exceed the amount of borrowing cost incurred during that period. Other borrowing costs are recognised as expenses when incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(All amounts in RMB millions unless otherwise stated)

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.30 Taxation

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the date of the statement of financial position in the jurisdictions where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of the amount expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.30 Taxation (Continued)

(b) Deferred income tax (Continued)

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination) and at the time of the transaction does not give rise to equal taxable and deductible temporary differences, and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities. For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the lease liabilities, and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Current and deferred income tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred income tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

2.31 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the period in which the dividends are approved by the Company's shareholders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024
(All amounts in RMB millions unless otherwise stated)

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.32 Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

For the year ended 31 December 2024, research and development expenditure recognised as expense in the consolidated statement of income was RMB8,835 million (2023: RMB8,099 million).

2.33 Earnings per Share

Basic earnings per share is computed by dividing the profit attributable to equity shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is computed by dividing the profit attributable to equity shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, after adjusting for the effects of the dilutive potential ordinary shares.

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.34 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.

(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) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) The entity is controlled or jointly controlled by a person identified in (a); or

(vii) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024
(All amounts in RMB millions unless otherwise stated)

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.35 Contingent assets/liabilities

Contingent assets

Contingent assets arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the Group and they are not recognised in the consolidated financial statements. The Group assesses continually the development of contingent assets. If it has become virtually certain that an inflow of economic benefits will arise, the Group recognises the asset and the related income in the consolidated financial statements in the reporting period in which the change occurs.

Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognised in the consolidated financial statements.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

3. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

3.1 Financial risk factors

The Group's operating activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Financial risk management is carried out by the Group's headquarter, following the overall direction determined by the executive directors of the Company. The Group's headquarter identifies and evaluates financial risks in close co-operation with the Group's operating units.

(a) Market risk

(i) Foreign exchange risk

The Group's major operational activities are carried out in Mainland China and a majority of the transactions are denominated in RMB. The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States dollars ("US dollars"), Hong Kong dollars ("HK dollars" or "HKD") and European dollars ("Euro"). Exchange risk mainly exists with respect to the financial assets and financial liabilities denominated in foreign currencies including balances with international carriers, cash and cash equivalents.

The Group's headquarter is responsible for monitoring the amount of monetary assets and liabilities denominated in foreign currencies. From time to time, the Group may consider entering into forward exchange contracts or currency swap contracts to mitigate the foreign exchange risk. During the years ended 31 December 2024 and 2023, the Group had not entered into any forward exchange contracts or currency swap contracts.

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate and have been translated to RMB at the applicable rates quoted by the PBOC as at 31 December 2024 and 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(All amounts in RMB millions unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

	2024			2023		
	Original currency millions	Exchange rate	RMB equivalent millions	Original currency millions	Exchange rate	RMB equivalent millions
Cash and cash equivalents:						
— denominated in HK dollars	57	0.93	53	55	0.91	50
— denominated in US dollars	760	7.19	5,463	698	7.08	4,945
— denominated in Euro	34	7.53	255	22	7.86	176
— denominated in Japanese Yen ("JPY")	22	0.05	1	199	0.05	10
— denominated in Great Britain Pound ("GBP")	—	9.08	—	—	9.04	2
— denominated in Singapore dollars ("SGD")	7	5.32	39	28	5.38	149
— denominated in Australian dollars ("AUD")	—	4.51	2	—	4.85	1
Sub-total			5,813			5,333
Accounts receivable:						
— denominated in HK dollars	—	0.93	—	—	0.91	—
— denominated in US dollars	54	7.19	388	79	7.08	560
— denominated in Euro	2	7.53	15	2	7.86	16
— denominated in JPY	1,009	0.05	47	856	0.05	43
— denominated in GBP	1	9.08	9	4	9.04	36
— denominated in SGD	64	5.32	341	33	5.38	177
— denominated in AUD	—	4.51	—	5	4.85	24
Sub-total			800			856
Financial assets measured at FVOCI:						
— denominated in Euro	253	7.53	1,902	227	7.86	1,783
Capital bonds measured at amortised cost:						
— denominated in US dollars	61	7.19	442	61	7.08	433
Total			8,957			8,405
Borrowings:						
— denominated in US dollars	19	7.19	139	22	7.08	153
— denominated in Euro	—	7.53	—	1	7.86	10
Sub-total			139			163
Accounts payable:						
— denominated in HK dollars	1,487	0.93	1,377	1,084	0.91	982
— denominated in US dollars	144	7.19	1,035	97	7.08	687
— denominated in Euro	8	7.53	60	6	7.86	47
— denominated in AUD	1	4.51	5	—	4.85	—
Sub-total			2,477			1,716
Total			2,616			1,879

3. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

The Group did not have and does not believe it will have any difficulties in exchanging its foreign currency cash into RMB at the exchange rates quoted by the PBOC.

As at 31 December 2024, if RMB had strengthened/weakened by 10% against foreign currencies, primarily with respect to US dollars, HK dollars, Euro, JPY, GBP, SGD and AUD, while all other variables are held constant, the profit after tax would increase/decrease approximately RMB333 million (2023: approximately RMB356 million) for monetary assets and liabilities denominated in foreign currencies, and other comprehensive income would increase/decrease approximately RMB190 million (2023: approximately RMB178 million) for financial assets measured at FVOCI (non-recycling) denominated in foreign currency.

(ii) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified in the consolidated statement of financial position as financial assets measured at FVOCI (non-recycling) or FVPL.

The financial assets measured at FVOCI (non-recycling) comprise primarily equity securities of Telefónica S.A. ("Telefónica"). As at 31 December 2024, if the share price of Telefónica had increased/decreased by 10%, while the exchange rate of RMB against Euro is held constant, other comprehensive income would increase/decrease approximately RMB190 million (2023: approximately RMB178 million). The listed investments measured at FVPL comprise primarily equity securities of certain PRC listed companies. As at 31 December 2024, if the price of the respective listed equity securities had increased/decreased by 10%, profit after tax would increase/decrease approximately RMB15 million (2023: approximately RMB8 million).

(iii) Cash flow and fair value interest rate risk

The Group's interest-bearing assets are mainly represented by bank deposits, debt securities measured at FVOCI (recycling), financial assets held under resale agreements, lending by Finance Company to third parties and investments in capital bonds. Management does not expect the changes in market deposit interest rates will have significant impact on the financial statements as the assets are mainly short-term in nature and the interest involved will not be significant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024
(All amounts in RMB millions unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(iii) Cash flow and fair value interest rate risk (Continued)

The Group's interest rate risk mainly arises from interest-bearing borrowings including bank loans, related party loans and lease liabilities. Borrowings issued at floating rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk upon renewal. The Group determines the amount of its fixed rate or floating rate borrowings depending on the prevailing market conditions. During the years ended 31 December 2024 and 2023, the Group's borrowings were mainly at fixed rates and were mainly denominated in RMB.

Increases in interest rates will increase the cost of new borrowings and the interest expense with respect to the Group's outstanding floating rate borrowings, and therefore could have a material adverse effect on the Group's financial performance. Management continuously monitors the interest rate position of the Group and makes decisions with reference to the latest market conditions. From time to time, the Group may enter into interest rate swap agreements to mitigate its exposure to interest rate risks in connection with the floating rate borrowings, although the Group did not consider it was necessary to do so in the years ended 31 December 2024 and 2023.

As at 31 December 2024, the Group had approximately RMB11,052 million (2023: approximately RMB9,044 million) of long-term and short-term borrowings in floating rates and approximately RMB38,905million (2023: approximately RMB45,127 million) of long-term borrowings and lease liabilities in fixed rates.

For the year ended 31 December 2024, if interest rates on the floating rate borrowings had increased/decreased 50 basic points while all other variables are held constant, profit after tax would decrease/increase approximately RMB41 million (2023: approximately RMB34 million).

(b) 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. Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents and bank deposits with banks, as well as credit exposures to major corporate customers, individual subscribers and general corporate customers, related parties and other telecommunications operators.

3. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

To limit exposure to credit risk relating to cash and cash equivalents and bank deposits, the Group primarily places cash and cash equivalents and bank deposits only with large state-owned financial institutions in the PRC and other banks with acceptable credit ratings. Therefore, the Group expects that there is no significant credit risk and does not expect that there will be any significant losses from non-performance by these counterparties.

In addition, the Group has no significant concentrations of credit risk with respect to individual subscribers and corporate customers. The Group has policies to limit the credit exposure on receivables for services and sales of mobile handsets. The Group assesses the credit quality of all its customers and sets credit limits on them by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The normal credit period granted by the Group to individual subscribers and general corporate customers is 30 days from the date of billing unless they meet certain specified credit assessment criteria. For major corporate customers, the credit period granted by the Group is based on the service contract terms, normally not exceeding 1 year. The utilisation of credit limits and settlement pattern of customers are regularly monitored by the Group. In respect of other receivables, individual credit evaluations are performed on all counterparties requiring credit over a certain amount. These evaluations focus on the counterparties' past history of making payments when due and current ability to pay, and take into account information specific to the counterparties as well as the economic environment in which the counterparties operates.

Credit risk relating to amounts due from related parties and other telecommunications operators is not considered to be significant as these companies are reputable and their receivables are settled on a regular basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(All amounts in RMB millions unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and availability of funds through different sources of financing. Due to the dynamic nature of the underlying business, the Group's headquarter maintains flexibility in funding through having adequate amount of cash and cash equivalents and utilising different sources of financing when necessary.

The following tables show the undiscounted cash flows of the financial liabilities and lease liabilities (including interest expense) categorised by time from the end of the period under review to the contractual maturity date. To the extent that interest flows are floating rate, the undiscounted amount is derived based on management's best estimates at the end of the reporting period:

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Carrying amounts
At 31 December 2024					
Long-term bank loans	261	189	751	283	1,413
Lease liabilities	13,747	11,494	13,431	1,784	37,641
Other obligations	2,498	908	76	126	3,605
Short-term bank loans	716	—	—	—	711
Accounts payable and accrued liabilities	163,367	—	—	—	163,367
Bills payable	5,296	—	—	—	5,296
Amounts due to ultimate holding company	2,050	425	562	—	2,984
Amounts due to related parties	29,311	—	—	—	29,311
Amounts due to domestic carriers	4,159	—	—	—	4,159
	221,405	13,016	14,820	2,193	248,487

3. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Carrying amounts
At 31 December 2023					
Long-term bank loans	374	302	657	497	1,606
Lease liabilities	12,901	11,273	20,988	1,822	43,257
Other obligations	2,497	218	616	101	3,432
Short-term bank loans	686	—	—	—	681
Accounts payable and accrued liabilities	161,279	—	—	—	161,279
Bills payable	6,275	—	—	—	6,275
Amounts due to ultimate holding company	1,046	313	601	—	1,914
Amounts due to related parties	25,924	—	—	—	25,924
Amounts due to domestic carriers	2,959	—	—	—	2,959
	213,941	12,106	22,862	2,420	247,327

Regarding the Group's use of the going concern basis for the preparation of its financial statements, please refer to Note 2.2(a) for details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(All amounts in RMB millions unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

3.2 Capital risk management

The Group's objectives when managing capital are:

- To safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.
- To support the Group's stability and growth.
- To provide capital for the purpose of strengthening the Group's risk management capability.

In order to maintain or adjust the capital structure, the Group reviews and manages its capital structure actively and regularly to ensure optimal capital structure and shareholder returns, taking into account the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

The Group monitors capital on the basis of the debt-to-capitalisation ratio. This ratio is calculated as interest-bearing debts over interest-bearing debts plus total equity. Interest-bearing debts represent short-term bank loans, long-term bank loans, lease liabilities, amounts due to ultimate holding company and amounts due to related parties, as shown in the consolidated statement of financial position. The interest-bearing debts do not include balance of deposits received by Finance Company and its related interest payable, amounting to RMB8,750 million, as at 31 December 2024 (2023: RMB7,746 million).

3. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

3.2 Capital risk management (Continued)

The Group's debt-to-capitalisation ratios are as follows:

	31 December 2024	31 December 2023
Interest-bearing debts:		
— Short-term bank loans	711	681
— Long-term bank loans	1,170	1,252
— Lease liabilities (non-current portion)	24,222	30,617
— Amounts due to ultimate holding company	1,442	881
— Current portion of long-term bank loans	243	354
— Lease liabilities (current portion)	13,419	12,640
	41,207	46,425
Total equity	363,570	353,898
Interest-bearing debts plus total equity	404,777	400,323
Debt-to-capitalisation ratio	10.2%	11.6%

3.3 Fair value estimation

Financial assets of the Group mainly include cash and cash equivalents, long-term bank deposits, short-term bank deposits and restricted deposits, accounts receivable, the financial assets included in prepayments and other current assets, amounts due from ultimate holding company, related parties and domestic carriers, financial assets measured at fair value and certain other assets. Financial liabilities of the Group mainly include the financial liabilities included in accounts payable and accrued liabilities, bills payable, short-term bank loans, long-term bank loans, other obligations and amounts due to ultimate holding company, related parties and domestic carriers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024
(All amounts in RMB millions unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

3.3 Fair value estimation (Continued)

(a) Financial assets measured at fair value

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1 valuation: unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuation: observable inputs which fail to meet Level 1, and not using significant unobservable inputs for which market data are not available.
- Level 3 valuation: fair value measured using significant unobservable inputs.

The following table presents the Group's assets that are measured at fair value as at 31 December 2024:

	Level 1	Level 2	Level 3	Total
Recurring fair value measurement:				
Equity securities measured at FVOCI (non-recycling)	2,099	—	111	2,210
Financial assets measured at FVPL	2,415	—	1,261	3,676
Debt securities measured at FVOCI (recycling)	7,931	—	—	7,931
Total	12,445	—	1,372	13,817

The following table presents the Group's assets that are measured at fair value as at 31 December 2023:

	Level 1	Level 2	Level 3	Total
Recurring fair value measurement:				
Equity securities measured at FVOCI (non-recycling)	1,929	—	113	2,042
Financial assets measured at FVPL	2,443	53	1,270	3,766
Debt securities measured at FVOCI (recycling)	23,837	—	—	23,837
Total	28,209	53	1,383	29,645

3. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

3.3 Fair value estimation (Continued)

(a) Financial assets measured at fair value (Continued)

The fair value of financial instruments traded in active markets is based on quoted market prices at the date of the statement of financial position. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1 and comprise primarily equity securities of Telefónica, debt securities issued by banks which are classified as financial assets measured at FVOCI and certain equity investments, investments in monetary funds that are classified as financial assets measured at FVPL.

During the years ended 31 December 2024 and 2023, there were no significant transfer between Level 1 and Level 2, or transfer into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(b) Fair value of financial instruments carried at other than fair value

As at 31 December 2024 and 2023, the carrying amounts, fair values and the level of fair values of the Group's long-term financial assets and liabilities carried at amortised cost are disclosed below:

	Carrying amounts as at 31 December 2024	Fair value as at 31 December 2024	Fair value measurements as at 31 December 2024 categorised into			Carrying amounts as at 31 December 2023	Fair value as at 31 December 2023
			Level 1	Level 2	Level 3		
Long-term bank deposits	15,185	15,427	–	15,427	–	–	–
Capital bonds	442	471	–	471	–	433	433
Non-current portion of long-term bank loans	1,170	1,190	–	1,190	–	1,252	1,318
Non-current portion of amounts due to ultimate holding company	958	927	–	927	–	881	837

The fair values of the non-current portion of long-term bank loans and non-current portion of amounts due to ultimate holding company are based on the expected cash flows of principal and interests payment discounted at market rates ranging from 0.57% to 3.60% (2023: 0.57% to 4.20%) per annum. The fair values of long-term bank deposits and capital bonds are based on the expected cash flows of principal and interests discounted at market rate of 1.90% (2023: Nil) per annum and 4.38% (2023: 5.35%) per annum, respectively.

Besides, the carrying amounts of the Group's other financial assets and liabilities carried at amortised cost approximated their fair values as at 31 December 2024 and 2023 due to the nature or short maturity of those instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024
(All amounts in RMB millions unless otherwise stated)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates may not be equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

4.1 Depreciation on property, plant and equipment

Depreciation on the Group's property, plant and equipment is calculated using the straight-line method to allocate cost up to residual values over the estimated useful lives of the assets. The Group reviews the useful lives and residual values periodically to ensure that the method and rates of depreciation are consistent with the expected pattern of realisation of economic benefits from property, plant and equipment. The Group estimates the useful lives and residual values of property, plant and equipment based on historical experience, taking into account anticipated technological changes. If there are significant changes from previously estimated useful lives and residual values, the amount of depreciation expenses may change.

4.2 Impairment of goodwill and long-lived assets

The Group tests whether long-lived assets, including property, plant and equipment and right-of-use assets, have suffered from any impairment, in accordance with the accounting policy stated in Note 2.13. For goodwill, the impairment testing is performed annually at the end of each reporting period, in accordance with the accounting policy stated in Note 2.8. The recoverable amount of the cash-generating unit at the lowest level to which those assets belong has been determined based on a value in use calculation. Management estimates value in use based on estimated discounted pre-tax future cash flows of the cash generating unit. If there is any significant change in management's assumptions, including discount rate, the revenue growth rate or amount of operating costs in the future cash flow projection, the estimated recoverable amount of the cash-generating unit and the Group's results would be significantly affected. Such impairment losses are recognised in the consolidated statement of income. Accordingly, there will be an impact to the future results if there is a significant change in the recoverable amount of the cash-generating unit. Management uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount.

No significant impairment loss on goodwill or long-lived assets was recognised for the years ended 31 December 2024 and 2023.

4.3 Allowance for ECLs

For collective assessment, management estimates ECL allowance on accounts receivable and contract assets using a provision matrix based on the Group's historical credit loss experience, and adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date. The Group monitored and reviewed the assumptions relating to ECL regularly. For the Group's detailed assessment of credit risk, please refer to Note 3.1(b).

5. SEGMENT INFORMATION

The executive directors of the Company have been identified as the CODM. Operating segments are identified on the basis of internal reports that the CODM reviews regularly in allocating resources to segments and in assessing their performances.

The CODM makes resources allocation decisions based on internal management functions and assesses the Group's business performance as one integrated business instead of by separate business lines or geographical regions. Accordingly, the Group has only one operating segment and therefore, no segment information is presented.

The Group primarily operates in Mainland China and accordingly, no geographic information is presented. No revenue from a single customer accounted for 10 percent or more of the Group's revenue in all periods presented.

6. REVENUE

Revenue from telecommunications services are subject to value-added tax ("VAT") at VAT rates applicable to various telecommunications services. The VAT rates for basic telecommunications services and value-added telecommunications services are 9% and 6%, respectively, while VAT rate for sales of telecommunications products is 13%. Basic telecommunications services include business activities for the provision of voice services, and transmission lines usage and associated services etc. Value-added telecommunications services include business activities for the provision of short message service and multimedia message service, broadband and mobile data services, and data and internet application services etc. VAT is excluded from the revenue.

Disaggregation of revenue by major services and products:

	2024	2023
Voice usage and monthly fees	20,400	21,207
Broadband and mobile data services	154,189	154,748
Data and internet application services	99,358	89,645
Other value-added services	30,189	29,190
Interconnection fees	12,602	12,878
Transmission lines usage and associated services	24,260	22,666
Other services	4,977	4,836
Total service revenue	345,975	335,170
Sales of telecommunications products	43,614	37,427
Total	389,589	372,597
Include: Revenue from contracts with customers within the scope of HKFRS 15	388,337	371,324
Revenue from other sources	1,252	1,273

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024
(All amounts in RMB millions unless otherwise stated)

6. REVENUE (Continued)

The Group's revenue is primarily generated from the provision of voice usage, broadband and mobile data services, data and internet application services, other value-added services, interconnection services, transmission lines usage and associated services and sale of telecommunication products. The Group bills the majority of its customers based on a fixed rate and service volume each month, and then has a right to consideration from the customers. Transaction prices that were allocated to unsatisfied performance obligations as of the end of the reporting period are expected to be recognised within one to five years when services are rendered. The Group has applied the practical expedient in paragraph 121 of HKFRS 15 and therefore the information about remaining performance obligations is not disclosed for contracts that have an original expected duration of one year or less and for those performance obligations which are satisfied as invoiced.

7. NETWORK, OPERATION AND SUPPORT EXPENSES

	Note	2024	2023
Repairs and maintenance		11,656	11,872
Power and water charges		15,178	14,295
Charges for use of network, premises, equipment and facilities	(i), (iii)	22,915	20,306
Charges for use of tower assets	(ii), (iii)	12,055	11,208
Others		2,516	2,345
		64,320	60,026

(i) During the years ended 31 December 2024 and 2023, charges for use of network, premises, equipment and facilities mainly included the non-lease components charges (maintenance service, certain ancillary facilities usage and other related support services charges) and charges relating to short-term leases, leases of low-value assets and variable lease payments which are recorded in profit or loss as incurred.

(ii) During the years ended 31 December 2024 and 2023, charges for use of tower assets included the non-lease components charges (maintenance service, certain ancillary facilities usage and other related support services charges) and variable lease payments which are recorded in profit or loss as incurred. For related party transactions with China Tower Corporation Limited ("Tower Company"), see Note 43.3.

(iii) Expense relating to short-term leases, leases of low-value assets and variable lease payments not included in the measurement of lease liabilities:

	2024	2023
Expense relating to short-term leases and leases of low value assets	2,228	2,100
Variable lease payments not included in the measurement of lease liabilities*	8,999	8,097

* During the years ended 31 December 2024 and 2023, variable lease payments not included in the measurement of lease liabilities mainly included charges for use of tower assets and network, premises, equipment and facilities, which are measured based on revenue or usage and recorded in profit or loss when the event or condition that triggers those payments occurred.

8. EMPLOYEE BENEFIT EXPENSES

	Note	2024	2023
Salaries and wages		48,341	45,522
Contributions to defined contribution pension schemes		9,594	9,067
Contributions to medical insurance		2,009	3,594
Contributions to housing fund		4,726	4,460
Other housing benefits		14	14
Share-based compensation	42	247	282
		64,931	62,939

8.1 Directors' emoluments

The remuneration of each director for the year of 2024 is set out below:

Name of Director	Note	Fees (RMB'000)	Salaries and allowance (RMB'000)	Bonuses paid and payable (RMB'000)	Contributions to pension schemes (RMB'000)	Total (RMB'000)
Chen Zhongyue	(a)	—	569	367	161	1,097
Jian Qin	(c)	—	184	276	121	581
Wang Junzhi		—	512	331	160	1,003
Li Yuzhuo		—	497	331	160	988
Cheung Wing Lam Linus		438	—	—	—	438
Wong Wai Ming	(d)	124	—	—	—	124
Chung Shui Ming Timpson		476	—	—	—	476
Law Fan Chiu Fun Fanny		419	—	—	—	419
Fan Chun Wah Andrew	(e)	305	—	—	—	305
		1,762	1,762	1,305	602	5,431

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024
(All amounts in RMB millions unless otherwise stated)

8. EMPLOYEE BENEFIT EXPENSES (Continued)

8.1 Directors' emoluments (Continued)

The remuneration of each director for the year of 2023 is set out below:

Name of Director	Note	Fees (RMB'000)	Salaries and allowance (RMB'000)	Bonuses paid and payable (RMB'000)	Contributions to pension schemes (RMB'000)	Total (RMB'000)
Chen Zhongyue	(a)	—	568	360	153	1,081
Liu Liehong	(b)	—	468	210	87	765
Wang Junzhi		—	511	324	153	988
Li Yuzhuo		—	444	324	153	921
Cheung Wing Lam Linus		433	—	—	—	433
Wong Wai Ming	(d)	442	—	—	—	442
Chung Shui Ming Timpson		451	—	—	—	451
Law Fan Chiu Fun Fanny		415	—	—	—	415
		1,741	1,991	1,218	546	5,496

Notes:

(a) Mr. Chen Zhongyue was appointed as chairman and chief executive officer on 2 December 2023.

(b) Mr. Liu Liehong resigned as executive director, chairman and chief executive officer on 30 July 2023.

(c) Mr. Jian Qin was appointed as executive director and president of the Company on 10 April 2024.

(d) Mr. Wong Wai Ming resigned from his position as an independent non-executive director of the Company on 10 April 2024.

(e) Mr. Fan Chun Wah Andrew was appointed as an independent non-executive director of the Company on 10 April 2024.

During the years ended 31 December 2024 and 2023, no share options were granted to the directors.

No directors waived the right to receive emoluments during the years ended 31 December 2024 and 2023.

During the years ended 31 December 2024 and 2023, the Company did not incur any payment to any director for loss of office or as an inducement to any director to join the Company.

8. EMPLOYEE BENEFIT EXPENSES (Continued)

8.2 Senior management's emoluments

Of the nine (2023: eight) senior management of the Company for the year ended 31 December 2024, four (2023: four) of them are directors of the Company and their remuneration has been disclosed in Note 8.1. For the remuneration of the remaining five (2023: four) senior management all fall within the band from RMB0 to RMB1,000,000 (2023: all fall within the band from RMB0 to RMB1,000,000).

8.3 Five highest paid individuals

Of the five highest paid individuals for the year ended 31 December 2024, five of them are staffs and three fall within the band from RMB2,500,001 to RMB3,000,000, one falls within the band from RMB3,000,001 to RMB3,500,000, one falls within the band from RMB4,000,001 to RMB4,500,000 (2023: five of them are staffs and four fall within the band from RMB2,500,001 to RMB3,000,000, one falls within the band from RMB4,000,001 to RMB4,500,000).

The aggregate of the emoluments in respect of the five (2023: five) highest paid individuals are as follows:

	2024 (RMB'000)	2023 (RMB'000)
Salaries and allowances	5,820	3,929
Bonuses paid and payable	7,530	8,659
Contributions to pension schemes	1,984	1,996
	15,334	14,584

During the years ended 31 December 2024 and 2023, the Group did not incur any payment to the above five highest paid individuals for loss of office or as an inducement to these individuals to join or upon joining the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(All amounts in RMB millions unless otherwise stated)

9. COSTS OF TELECOMMUNICATIONS PRODUCTS SOLD

	2024	2023
Handsets and other telecommunication products	41,583	36,009
Others	883	394
	42,466	36,403

10. OTHER OPERATING EXPENSES

	2024	2023
Impairment losses under ECL, net of reversal	6,972	6,141
Write-down of inventories	303	215
Commission and other service expenses	26,522	25,680
Advertising and promotion expenses	2,069	2,130
Internet access terminal maintenance expenses	2,856	2,551
Customer retention costs	3,298	3,340
Auditors' remuneration:		
— Audit of the financial statements	47	44
— Other special audit and assurance services	5	11
— Non-audit services	1	16
Property management fee	2,787	2,791
Office and administrative expenses	1,820	1,940
Transportation expense	702	752
Miscellaneous taxes and fees	1,705	1,539
Service technical support expenses	53,273	47,076
Repairs and maintenance expenses	419	519
(Gain)/loss on disposal of property, plant and equipment and other assets	(2,827)	1,181
Others	7,271	6,197
	107,223	102,123

11. FINANCE COSTS

	Note	2024	2023
Finance costs:			
— Interest on commercial papers		—	59
— Interest on lease liabilities		1,543	1,717
— Interest on related party loans		145	134
— Interest on bank loans and others		56	87
— Less: Interest capitalised in CIP	15	(4)	(16)
Total interest expense		1,740	1,981
— Net exchange loss/(gain)		26	(55)
— Others		18	55
		1,784	1,981

12. OTHER INCOME — NET

	2024	2023
Dividends from financial assets measured at FVOCI (non-recycling)	156	159
Government grants	1,501	995
Additional deduction for VAT	224	1,912
Investment income from debt securities measured at FVOCI (recycling)	385	424
Fair value gains on financial instrument measured at FVPL	49	114
Gains on disposal of financial assets measured at FVPL	17	14
Payables that do not need to be paid	2,059	145
Others	560	(229)
	4,951	3,534

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(All amounts in RMB millions unless otherwise stated)

13. TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (2023: 16.5%) on the estimated assessable profits for the year. Taxation on profits outside Hong Kong has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the jurisdictions in which the Group operates. The Company's subsidiaries operate mainly in Mainland China and the applicable statutory enterprise income tax rate is 25% (2023: 25%). Taxation for certain subsidiaries in Mainland China was calculated at a preferential tax rate of 15% (2023: 15%).

	2024	2023
Provision for estimated assessable profits for the year		
— Hong Kong profits tax	72	77
— Mainland China and other jurisdictions income tax	4,090	4,630
Under/(over) tax provision in respect of prior years	72	(8)
	4,234	4,699
Deferred taxation	287	(676)
Income tax expenses	4,521	4,023

13. TAXATION (Continued)

Reconciliation between actual income tax expense and accounting profit at PRC statutory tax rate:

	Note	2024	2023
Profit before income tax		25,254	22,945
Expected income tax expense at PRC statutory tax rate of 25%		6,314	5,736
Impact of different tax rates outside Mainland China		(55)	(51)
Tax effect of preferential tax rate	(i)	(230)	(150)
Additional deduction for qualified research and development costs	(i)	(1,098)	(921)
Tax effect of non-deductible expenses		463	461
Tax effect of non-taxable income from share of net profit of joint ventures		(370)	(451)
Tax effect of non-taxable income from share of net profit of associates	(ii)	(583)	(565)
Under/(over) provision in respect of prior years		72	(8)
Tax effect of unused tax losses not recognised, net of utilisation	(iii)	8	(28)
Income tax expenses		4,521	4,023

(i) According to the PRC enterprise income tax law and its relevant regulations, entities that are qualified as high and new technology enterprise under the tax law are entitled to a preferential income tax rate of 15% (2023: 15%). Certain subsidiaries of the Group obtained the approval of high and new technology enterprise and were entitled to a preferential income tax rate of 15% (2023: 15%), and certain research and development costs of the Group's PRC subsidiaries are qualified for 100% (2023: 100%) additional deduction for tax purpose.

(ii) Adjustment to investment in associates represents the tax effect on share of net profit of associates, net of reversal of deferred tax assets on unrealised profit from transactions with Tower Company.

(iii) As at 31 December 2024, the Group did not recognise deferred tax assets in respect of tax losses amounting to approximately RMB366 million (31 December 2023: approximately RMB334 million), since it is not probable that future taxable profits will be available against which the deferred tax asset can be utilised. The tax losses can be carried forward for five to ten years from the year incurred and hence will be expired by the year of 2025 to 2034.

The Group is operating in certain jurisdictions where the Pillar Two Rules are effective. However, as the Group's estimated effective tax rates for most of the jurisdictions in which the Group operates are higher than 15%, after taking into account the adjustments under the Pillar Two Rules based on management's best estimate, the management of the Group considered the Group is not liable to material top-up tax under the Pillar Two Rules.

As at 31 December 2024, the Group did not recognise deferred tax assets in respect of fair value changes on financial assets measured at FVOCI (non-recycling) amounting to approximately RMB9,563 million (2023: approximately RMB9,682 million), since it is not probable that the related tax benefit will be realised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024
(All amounts in RMB millions unless otherwise stated)

13. TAXATION (Continued)

The movement of the net deferred tax assets/(liabilities) is as follows:

	2024	2023
Net deferred tax assets after offsetting:		
— Beginning of year	817	469
— Deferred tax credited to the consolidated statement of income	405	315
— Deferred tax credited/(charged) to other comprehensive income	7	(7)
— Deferred tax credited to reserves	27	40
— End of year	1,256	817
Net deferred tax liabilities after offsetting		
— Beginning of year	(600)	(950)
— Deferred tax (charged)/credited to the consolidated statement of income	(692)	361
— Deferred tax charged to other comprehensive income	(14)	(11)
— End of year	(1,306)	(600)

13. TAXATION (Continued)

The components of the deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax arising from	Credit loss allowance	Unrecognised revaluation surplus on prepayments for the leasehold land determined under PRC regulation (Note (i))	Unused tax losses	Accruals of expenses not yet deductible for tax purpose	Unrealised profit from the transactions with Tower Company	Accelerated depreciation of property, plant and equipment (Note (ii))	Right-of-use assets	Lease liabilities	Others	Total
At 1 January 2023	3,791	1,162	9	5,870	185	(16,471)	(11,798)	12,182	4,589	(481)
Credited/(charged) to the consolidated statement of income	952	(48)	2	635	(65)	(1,833)	1,583	(1,382)	832	676
Charged to other comprehensive income	–	–	–	–	–	–	–	–	(18)	(18)
Credited to reserves	–	–	–	–	–	–	–	–	40	40
At 31 December 2023	4,743	1,114	11	6,505	120	(18,304)	(10,215)	10,800	5,443	217
Credited/(charged) to the consolidated statement of income	1,175	(47)	154	1,714	(65)	(3,130)	1,578	(1,412)	(254)	(287)
Charged to other comprehensive income	–	–	–	–	–	–	–	–	(7)	(7)
Credited to reserves	–	–	–	–	–	–	–	–	27	27
At 31 December 2024	5,918	1,067	165	8,219	55	(21,434)	(8,637)	9,388	5,209	(50)

(i) The prepayments for the leasehold land were revalued for PRC tax purposes as at 31 December 2003 and 2004. However, the resulting revaluations of the prepayments for the leasehold land were not recognised under HKFRSs. Accordingly, deferred tax assets were recorded by the Group under HKFRSs.

(ii) According to "Announcement on Enterprise Income Tax Policy for Those Enterprise Involved in the Accelerated Depreciation of Property, Plant and Equipment" (Caishui [2014] No.75) issued by the MOF and the State Administration Taxation ("SAT") of the PRC, starting from 2014, the Group's property, plant and equipment that comply with this tax policy are allowed to be depreciated under the accelerated depreciation method, or fully deducted for tax purpose in the year of purchase. Temporary differences arise from the different useful lives under tax basis and accounting basis have been recorded as deferred tax liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024
(All amounts in RMB millions unless otherwise stated)

14. EARNINGS PER SHARE

Basic earnings per share for the years ended 31 December 2024 and 2023 were computed by dividing the profit attributable to equity shareholders of the Company by the weighted average number of ordinary shares outstanding during the years.

Diluted earnings per share for the years ended 31 December 2024 and 2023 were computed by dividing the profit attributable to equity shareholders of the Company by the weighted average number of ordinary shares outstanding during the years, after adjusting for the effects of the dilutive potential ordinary shares. There were no dilutive potential ordinary shares for the years ended 31 December 2024 and 2023.

The following table sets forth the computation of basic and diluted earnings per share:

	2024	2023
Numerator (in RMB millions):		
Profit attributable to equity shareholders of the Company used in computing basic/diluted earnings per share	20,613	18,726
Denominator (in millions):		
Number of ordinary shares outstanding used in computing basic/diluted earnings per share	30,598	30,598
Basic/Diluted earnings per share (in RMB)	0.67	0.61

15. PROPERTY, PLANT AND EQUIPMENT

The movements of property, plant and equipment for the years ended 31 December 2024 and 2023 are as follows:

	2024					
	Buildings	Tele-communications equipment	Office furniture, fixtures, motor vehicles and other equipment	Leasehold improvements	CIP	Total
Cost:						
Beginning of year	80,983	841,919	19,949	3,212	50,377	996,440
Additions	1,175	362	326	92	60,193	62,148
Transfer from CIP	4,168	59,515	1,270	343	(65,296)	—
Transfer to other assets	—	—	—	—	(8,946)	(8,946)
Disposals	(98)	(16,736)	(590)	(385)	—	(17,809)
End of year	86,228	885,060	20,955	3,262	36,328	1,031,833
Accumulated depreciation and impairment:						
Beginning of year	(46,190)	(576,818)	(14,995)	(2,345)	(97)	(640,445)
Charge for the year	(2,683)	(52,551)	(1,292)	(326)	—	(56,852)
Disposals	87	15,966	570	371	—	16,994
End of year	(48,786)	(613,403)	(15,717)	(2,300)	(97)	(680,303)
Net book value:						
End of year	37,442	271,657	5,238	962	36,231	351,530
Beginning of year	34,793	265,101	4,954	867	50,280	355,995

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024
(All amounts in RMB millions unless otherwise stated)

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

	2023					
	Buildings	Tele-communications equipment	Office furniture, fixtures, motor vehicles and other equipment	Leasehold improvements	CIP	Total
Cost:						
Beginning of year	79,284	827,720	19,655	3,093	48,580	978,332
Additions	239	384	353	151	72,489	73,616
Transfer from CIP	1,925	59,810	886	330	(62,951)	—
Transfer to other assets	—	—	—	—	(7,738)	(7,738)
Disposals	(465)	(45,995)	(945)	(362)	(3)	(47,770)
End of year	80,983	841,919	19,949	3,212	50,377	996,440
Accumulated depreciation and impairment:						
Beginning of year	(43,973)	(564,878)	(14,597)	(2,351)	(100)	(625,899)
Charge for the year	(2,650)	(55,818)	(1,301)	(355)	—	(60,124)
Disposals	433	43,878	903	361	3	45,578
End of year	(46,190)	(576,818)	(14,995)	(2,345)	(97)	(640,445)
Net book value:						
End of year	34,793	265,101	4,954	867	50,280	355,995
Beginning of year	35,311	262,842	5,058	742	48,480	352,433

For the year ended 31 December 2024, interest expense of approximately RMB4 million (2023: approximately RMB16 million) was capitalised in CIP. The capitalised borrowing rate represented the cost of capital for raising the related borrowings and varied from 1.70% to 2.40% for the year ended 31 December 2024 (2023: 1.45% to 2.80%).

Mainly as a result of the Group's ongoing modification of its telecommunications network and following subscribers' voluntarily cross network migration progress, the Group disposed certain property, plant and equipment with carrying amounts of RMB815 million (2023: RMB2,192 million) for the year ended 31 December 2024.

Based on comprehensive assessment with respect to network evolution, equipment upgrade and asset utilisation, as well as industry peer practice, the Group changed the depreciable life of 4G wireless-related equipment from 7 years to 10 years. The change was accounted for as a change in accounting estimate in accordance with HKAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors" with effect from 1 October 2024 using the prospective application method. The depreciation and amortisation for the year ended 31 December 2024 reduced by approximately RMB1,180 million as a result of the aforesaid changes in accounting estimates.

16. RIGHT-OF-USE ASSETS

	2024				
	Buildings	Tele-communications equipment	Land use rights	Others	Total
Cost:					
Beginning of year	19,201	75,411	14,030	2,288	110,930
Additions	4,050	4,466	1,384	605	10,505
Disposals	(3,124)	(2,635)	(109)	(285)	(6,153)
End of year	20,127	77,242	15,305	2,608	115,282
Accumulated depreciation and impairment:					
Beginning of year	(10,288)	(41,192)	(5,558)	(1,284)	(58,322)
Charge for the year	(3,965)	(8,749)	(298)	(650)	(13,662)
Disposals	2,979	985	30	230	4,224
End of year	(11,274)	(48,956)	(5,826)	(1,704)	(67,760)
Net book value:					
End of year	8,853	28,286	9,479	904	47,522
Beginning of year	8,913	34,219	8,472	1,004	52,608

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024
(All amounts in RMB millions unless otherwise stated)

16. RIGHT-OF-USE ASSETS (Continued)

	2023				
	Buildings	Tele-communications equipment	Land use rights	Others	Total
Cost:					
Beginning of year	18,442	78,558	13,998	1,892	112,890
Additions	4,355	3,571	106	579	8,611
Disposals	(3,596)	(6,718)	(74)	(183)	(10,571)
End of year	19,201	75,411	14,030	2,288	110,930
Accumulated depreciation and impairment:					
Beginning of year	(9,773)	(37,751)	(5,305)	(834)	(53,663)
Charge for the year	(4,012)	(8,244)	(285)	(577)	(13,118)
Disposals	3,497	4,803	32	127	8,459
End of year	(10,288)	(41,192)	(5,558)	(1,284)	(58,322)
Net book value:					
End of year	8,913	34,219	8,472	1,004	52,608
Beginning of year	8,669	40,807	8,693	1,058	59,227

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in Note 34.

17. GOODWILL

Goodwill arising from the acquisitions of Unicom New Century Telecommunications Co., Ltd. and Unicom New World Telecommunications Co., Ltd. by the Group in 2002 and 2003, respectively, represented the excess of the purchase consideration over the Group's share of the fair values of the separately identifiable net assets acquired prior to the adoption of AG 5 in 2005.

Goodwill is allocated to the Group's cash-generating unit (the "CGU"). The recoverable amount of the CGU with goodwill is determined based on value in use calculations. These calculations use pre-tax cash flow projections for 5 years based on financial budgets approved by management, and extrapolated using a steady 1% growth rate (2023: 1%), and the applicable discount rate of 11% (2023: 11%). Management determined expected growth rate and operating results based on past performance and its expectations in relation to market developments. The discount rate used is pre-tax and reflects specific risks relating to the CGU. Based on management's assessment results, there was no impairment of goodwill as at 31 December 2024 and 2023, any reasonably possible change in the assumptions used in the calculation of recoverable amount would not result in impairment losses.

18. INVESTMENTS IN SUBSIDIARIES

As at 31 December 2024, the details of the Company's subsidiaries are as follows:

Name	Place and date of incorporation/ establishment and nature of legal entity	Percentage of equity interests held		Particular of issued share capital/ paid up capital	Principal activities and place of operation
		Direct	Indirect		
China United Network Communications Corporation Limited ("CUCL")	The PRC, 21 April 2000, limited liability company	100%	—	RMB225,392,084,328	Telecommunications operation in the PRC
China Unicom Global Limited	Hong Kong, 29 May 2015, limited company	100%	—	HKD2,625,097,491	Investment holding
China Unicom (Hong Kong) Operations Limited	Hong Kong, 24 May 2000, limited company	—	100%	HKD1,510,100,000	Telecommunications service in Hong Kong
China Unicom (Americas) Operations Limited	USA, 24 May 2002, limited company	—	100%	5,000 shares, USD100 each	Telecommunications service in the USA
China Unicom (Europe) Operations Limited	The United Kingdom, 8 November 2006, limited company	—	100%	4,861,000 shares, GBP1 each	Telecommunications operation in the United Kingdom
China Unicom (Japan) Operations Corporation	Japan, 25 January 2007, limited company	—	100%	1,000 shares, JPY366,000 each	Telecommunications operation in Japan
China Unicom (Singapore) Operations Pte Limited	Singapore, 5 August 2009, limited company	—	100%	80,000,000 shares, RMB1 each	Telecommunications operation in Singapore

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024
(All amounts in RMB millions unless otherwise stated)

18. INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment and nature of legal entity	Percentage of equity interests held		Particular of issued share capital/ paid up capital	Principal activities and place of operation
		Direct	Indirect		
China Unicom (South Africa) Operations (Pty) Limited	South Africa, 19 November 2012 limited liability company	–	100%	200 shares in total: 100 shares, ZAR 1 each 100 shares, ZAR 512,063.34 each	Telecommunications operation in South Africa
China Unicom (MYA) Operations Company Limited	The Republic of the Union of Myanmar ("Myanmar"), 7 June 2013, limited liability company	–	100%	2,150,000 shares, USD1 each	Communications technology training in Myanmar
China Unicom (Australia) Operations Pty Limited	Australia, 27 May 2014, limited liability company	–	100%	18,535,920 shares, AUD 1 each	Telecommunications operation in Australia
China Unicom (Russia) Operations Limited Liability Company	Russia, 28 December 2016, limited liability company	–	100%	RUB127,453,000	Telecommunications service in Russia
China Unicom (Brazil) Telecommunications Ltda.	Brazil, 23 June 2016, limited liability company	–	100%	R$35,601,475	Telecommunications service in Brazil
China Unicom (Brazil) Holdings Ltda.	Brazil, 27 October 2017, limited liability company	–	100%	R$35,714,353	Investment holding
China Unicom Operations (Thailand) Limited	Thailand, 20 November 2017, limited liability company	–	100%	1,040,000 shares, Baht100 each	Telecommunications service in Thailand
China Unicom Operations (Malaysia) Sdn. Bhd.	Malaysia, 10 November 2017, limited liability company	–	100%	3,200,000 shares, MYR1 each	Telecommunications service in Malaysia
China Unicom Operations Korea Co., Ltd	Korea, 24 November 2017, limited liability company	–	100%	60,000 shares, KRW5,000 each	Telecommunications service in Korea
China Unicom (Vietnam) Operations Company Limited	Vietnam, 19 April 2018, limited liability company	–	100%	VND2,276,000,000	Telecommunications service in Vietnam
China Unicom (Cambodia) Operations Co. Ltd	Cambodia, 11 May 2018, limited liability company	–	100%	560,000 shares, Riels4,000 each	Telecommunications service in Cambodia
PT China Unicom Indonesia Operations	Indonesia, 25 October 2019, limited liability company	–	100%	20,000,000,001 shares, Rp1 each	Telecommunications service in Indonesia

18. INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment and nature of legal entity	Percentage of equity interests held		Particular of issued share capital/ paid up capital	Principal activities and place of operation
		Direct	Indirect		
China Unicom (Philippines) Operations Inc	Philippines, 6 November 2019, limited liability company	–	100%	103,012 shares, Php100 each	Telecommunications service in Philippines
China Unicom (Mexico) Operations Limited	Mexico, 29 October 2021, limited liability company	–	100%	Peso88,000,000	Telecommunications service in Mexico
Unicom Vsens Telecommunications Company Limited	The PRC, 19 August 2008, limited liability company	–	100%	RMB610,526,532	Sales of handsets, telecommunications equipment and provision of customer services in the PRC
China Unicom Digital Technology Co., Ltd	The PRC, 30 April 2006, limited liability company	–	100%	RMB9,571,547,616	Provision of information communications technology services in the PRC
China Unicom Online Information Technology Company Limited	The PRC, 29 March 2006, limited liability company	–	100%	RMB400,000,000	Provision of internet and value-added telecommunications services in the PRC
Beijing Telecom Planning and Designing Institute Company Limited	The PRC, 25 April 1996, limited liability company	–	100%	RMB264,227,115	Provision of consultancy,survey, design and contract services relating to information projects and construction projects in the telecommunications industry in the PRC
China Information Technology Designing & Consulting Institute Company Limited	The PRC, 11 November 1991, limited liability company	–	75%	RMB 573,333,335	Provision of consultancy,survey, design and engineering procurement construction services relating to information projects and construction projects in the telecommunications industry in the PRC
China Unicom Information Navigation Company Limited	The PRC, 17 September 1998, limited liability company	–	100%	RMB6,825,087,800	Provision of telecommunications customer services in the PRC
Huaxia P&T Project Consultation and Management Company Limited	The PRC, 5 March 1998, limited liability company	–	100%	RMB50,100,000	Provision of project consultation, monitoring and project bidding agency in the PRC
Zhengzhou Kaicheng Industrial Company Limited	The PRC, 21 December 2005, limited liability company	–	100%	RMB2,200,000	Provision of property service in the PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024
(All amounts in RMB millions unless otherwise stated)

18. INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment and nature of legal entity	Percentage of equity interests held		Particular of issued share capital/ paid up capital	Principal activities and place of operation
		Direct	Indirect		
Unicompay Company Limited	The PRC, 11 April 2011, limited liability company	–	100%	RMB250,000,000	Provision of e-payment services in the PRC
Beijing Wo Digital Media Advertising Co., Ltd	The PRC, 21 July 2006, limited liability company	–	100%	RMB20,000,000	Provision of advertising design, production, agency and publication in the PRC
Guangdong Unicom Communication Construction Co., Ltd	The PRC, 28 May 2013, limited liability company	–	100%	RMB80,000,000	Provision of telecommunications network construction, maintenance and technical services in the PRC
China Unicom Intelligence Security Technology Corporation Limited	The PRC, 15 August 2007, limited liability company	–	100%	RMB150,000,000	Provision of technical development and internet technology services in the PRC
Unicom Cloud Data Company Limited	The PRC, 4 June 2013, limited liability company	–	100%	RMB4,000,000,000	Provision of technology development, transfer and consulting service in the PRC
Unicom Innovation Investment Company Limited	The PRC, 29 April 2014, limited liability company	–	100%	RMB4,840,000,000	Venture capital investment business in the PRC
Xiaowo Technology Co. Ltd	The PRC, 24 October 2014, limited liability company	–	100%	RMB200,000,000	Provision of internet and value-added telecommunications business in the PRC
China Unicom Smart Connection Technology Company Limited	The PRC, 7 August 2015, limited liability company	–	68.88%	RMB246,796,148	Auto informatisation in the PRC
Unicom Intelligent Network Ruixing Technology Chengdu Co., Ltd.	The PRC, 26 September 2018, limited liability company	–	80%	RMB10,000,000	Provision of technology promotion service of intelligent transportation system's products in the PRC
Finance Company	The PRC, 17 June 2016, limited liability company	–	91%	RMB3,000,000,000	Provision of financial services in the PRC
Unicom United Investment (Beijing) Co., Ltd.	The PRC, 28 January 2016, limited liability company	–	100%	RMB200,000	Venture capital investment business in the PRC

18. INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment and nature of legal entity	Percentage of equity interests held		Particular of issued share capital/ paid up capital	Principal activities and place of operation
		Direct	Indirect		
Lianchuangqianxian (Guizhou) Technology Service Co., Ltd.	The PRC, 8 October 2016, limited liability company	—	60%	RMB1,107,500	Venture capital investment business in the PRC
China Unicom Emerging (Beijing) Investment Centre (Limited Partnership)	The PRC, 1 February 2016, limited partnership	—	99%	RMB68,074,936	Venture capital investment business in the PRC
Beijing Medical Health Model Co., Ltd (Former name:Unicom Big Data Co., Ltd.)	The PRC, 24 August 2017, limited liability company	—	100%	RMB500,000,000	Provision of data processing in the PRC
Liantong Travel Service (Beijing) Company Limited	The PRC, 30 September 2017, limited liability company	—	100%	RMB100,000,000	Provision of tourism and information services in the PRC
China Unicom (Guangdong) Industrial Internet Company Limited	The PRC, 5 January 2017, limited liability company	—	100%	RMB150,000,000	Provision of information system integraton business in the PRC
China Unicom (Zhejiang) Industry Internet Company Limited	The PRC, 20 June 2017, limited liability company	—	100%	RMB61,000,000	Provision of information system integraton business in the PRC
China Unicom (ShanDong) Industrial Internet Company Limited	The PRC, 3 March 2017, limited liability company	—	100%	RMB150,000,000	Provision of information system integraton business in the PRC
China Unicom (Fujian) Industrial Internet Company Limited	The PRC, 23 February 2018, limited liability company	—	100%	RMB50,000,000	Provision of information system integraton business in the PRC
China Unicom (Shanxi) Industrial Internet Company Limited	The PRC, 21 March 2018, limited liability company	—	100%	RMB100,000,000	Provision of information system integraton business in the PRC
China Unicom Xiongan Industrial Internet Company Limited	The PRC, 25 April 2018, limited liability company	—	100%	RMB1,302,712,600	Provision of information system integraton business in the PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(All amounts in RMB millions unless otherwise stated)

18. INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment and nature of legal entity	Percentage of equity interests held		Particular of issued share capital/ paid up capital	Principal activities and place of operation
		Direct	Indirect		
China Unicom (Sichuan) Industrial Internet Company Limited	The PRC, 29 March 2018, limited liability company	–	100%	RMB100,000,000	Provision of information system integraton business in the PRC
China Unicom (Liaoning) Industrial Internet Company Limited	The PRC, 28 March 2018, limited liability company	–	100%	RMB100,000,000	Provision of information system integraton business in the PRC
China Unicom (Jiangsu) Industrial Internet Company Limited	The PRC, 9 May 2018, limited liability company	–	100%	RMB26,200,000	Provision of information system integraton business in the PRC
China Unicom (Shanghai) Industrial Internet Company Limited	The PRC, 13 March 2018, limited liability company	–	100%	RMB70,000,000	Provision of information system integraton business in the PRC
China Unicom (Heilongjiang) Industrial Internet Company Limited	The PRC, 14 March 2018, limited liability company	–	100%	RMB100,000,000	Provision of information system integraton business in the PRC
Henan Industrial Interconnection & Technology Co., Ltd.	The PRC, 30 May 2019, limited liability company	–	40%	RMB90,000,000	Provision of information system integraton business in the PRC
China Unicom Video Technology Co., Ltd.	The PRC, 17 January 2018, limited liability company	–	100%	RMB100,000,000	Provision of technology research and development of TV and mobile video,consultation disposal,promotion and value–added telecommunications services
China Unicom Internet of Things Corporation Limited	The PRC, 16 March 2018, limited liability company	–	100%	RMB261,516,702	Provision of internet of things technology, consultation and service in the PRC
China Unicom High-tech Big Data Artificial Intelligence Technology (Chengdu) Co., Ltd.	The PRC, 29 March 2018, limited liability company	–	51%	RMB10,000,000	Provision of Big Data Service, cloud computation and infrastructure service in the PRC

18. INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment and nature of legal entity	Percentage of equity interests held		Particular of issued share capital/ paid up capital	Principal activities and place of operation
		Direct	Indirect		
China Unicom iRead Science and Culture Co., Ltd.	The PRC, 28 April 2018, limited liability company	–	100%	RMB51,000,000	Provision of internet and value-added telecommunications business in the PRC
China Unicom WO Music & Culture Co., Ltd.	The PRC, 8 May 2018, limited liability company	–	100%	RMB100,000,000	Provision of internet information technology services in the PRC
China Unicom Leasing Co., Ltd.	The PRC, 11 April 2018, limited liability company	25%	75%	RMB3,000,000,000	Provision of financing leasing business in the PRC
Yunjing Culture And Tourism Technology Co., Ltd.	The PRC, 27 February 2019, limited liability company	–	80%	RMB25,000,000	Provision of tourism and big data business, data analysis, processing and application services in the PRC
Yundun Intelligent Security Technology Co., Ltd.	The PRC, 11 November 2019, limited liability company	–	51%	RMB100,000,000	Provision of software development; technology promotion and development in the PRC
Wobaifu Information Technology (Tianjin) Co., Ltd.	The PRC, 17 April 2020, limited liability company	–	100%	RMB1,000,000	Provision of software and information technology service in the PRC
Changchun FAW Communications Technology Co., Ltd.	The PRC, 27 September 2002, limited liability company	–	51%	RMB86,458,636	Telecommunications business in the PRC
Jiangxi Zhengtong Digital Economy Technology Co., Ltd. (Former name: Yichun Digital Economy Industry Operation Co., Ltd.)	The PRC, 14 December 2020, limited liability company	–	51%	RMB30,000,000	Provision of telecommunication, television broadcasting and satellite transmission services in the PRC
Lianchuang Weilai (Wuhan) Intelligent Manufacturing Industry Investment Partnership (Limited Partnership)	The PRC, 29 July 2020, limited partnership	–	61.64%	RMB1,460,000,000	Provision of investment business in the PRC
Hebei Sign Technology Co., Ltd.	The PRC, 22 October 2021, limited liability company	–	70%	RMB10,000,000	Provision of other technology promotion service in the PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024
(All amounts in RMB millions unless otherwise stated)

18. INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment and nature of legal entity	Percentage of equity interests held		Particular of issued share capital/ paid up capital	Principal activities and place of operation
		Direct	Indirect		
China Unicom Spirit Realm Video (Jiangxi) Technology Company Limited	The PRC, 9 July 2021, limited liability company	–	100%	RMB10,000,000	Provision of internet and telecommunication value added business in the PRC
China Unicom Innovation Investment Company (Shanghai) Co., Ltd.	The PRC, 6 June 2014, limited liability company	–	70%	RMB40,000,000	Provision of pioneer investment business in the PRC
China Unicom Western Innovation Institute Co., Ltd.	The PRC, 6 September 2021, limited liability company	–	100%	RMB50,000,000	Provision of information technology consultation services
Lian Kuan (Wuhan) Investment Center (Limited Partnership)	The PRC, 24 July 2020, limited partnership	–	87.47%	RMB8,715,000	Provision of investment business in the PRC
Lingang Data Intelligence Technology (Shanghai) Co., Ltd.	The PRC, 29 December 2021 limited liability company	–	100%	RMB1,000,000,000	Provision of internet data and security services; cloud computing services in the PRC
China Unicom Intelligence Technology Industrial Co., Ltd.	The PRC, 30 May 2022, limited liability company	–	100%	RMB1,200,000,000	Provision of internet data services, 5G Communications technology services and AI industry application services in the PRC
China Unicom (Beijing) Industrial Internet Co., Ltd.	The PRC, 21 November 2022, limited liability company	–	100%	RMB50,000,000	Provision of information and system integration business in the PRC
China Unicom (Jilin) Industrial Internet Company Limited	The PRC, 8 August 2022, limited liability company	–	100%	RMB50,000,000	Provision of information and system integration business in the PRC
China Unicom (Anhui) Industry Internet Company Limited	The PRC, 13 July 2022, limited liability company	–	100%	RMB50,000,000	Provision of information and system integration business in the PRC
Unicom (Jiangxi) Industrial Internet Co., Ltd.	The PRC, 16 November 2022, limited liability company	–	100%	RMB50,000,000	Provision of information and system integration business in the PRC
China Unicom (Hubei) Industrial Internet Company Limited	The PRC, 26 September 2022, limited liability company	–	100%	RMB50,000,000	Provision of information and system integration business in the PRC

18. INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment and nature of legal entity	Percentage of equity interests held		Particular of issued share capital/ paid up capital	Principal activities and place of operation
		Direct	Indirect		
China Unicom (Henan) Industrial Internet Company Limited	The PRC, 22 August 2022, limited liability company	–	100%	RMB100,000,000	Provision of information and system integration business in the PRC
China Unicom (Hunan) Industrial Internet Company Limited	The PRC, 13 September 2022, limited liability company	–	100%	RMB50,000,000	Provision of information and system integration business in the PRC
China Unicom (Hainan) Industrial Internet Company Limited	The PRC, 19 July 2022, limited liability company	–	100%	RMB50,000,000	Provision of information and system integration business in the PRC
Yunjin Intelligence Technology Corporation Limited	The PRC, 6 June 2022, limited liability company	–	45%	RMB42,500,000	Provision of internet data services and technology development in the PRC
Chongqing Digital intelligence Integration Innovation Technology Co., LTD	The PRC, 8 August 2022, limited liability company	–	70%	RMB100,000,000	Provision of technology development and application, integrated innovation and operation in the PRC
Unicom (Langfang) Cloud Data Company Limited	The PRC, 31 October 2022, limited liability company	–	100%	RMB5,000,000	Provision of type 1 value-added telecommunications services and internet technology services etc in the PRC
Unicom (Zhejiang) Cloud Data Company Limited	The PRC, 25 May 2022, limited liability company	–	100%	RMB40,000,000	Provision of big data services and information technology services in the PRC
China Unicom (Tianjin) Industrial Internet Company Limited	The PRC, 12 September 2023, limited liability company	–	100%	RMB50,000,000	Provision of information and system integration business in the PRC
China Unicom (Inner Mongolia) Industrial Internet Company Limited	The PRC, 21 September 2023, limited liability company	–	100%	RMB50,000,000	Provision of information and system integration business in the PRC
China Unicom (Guangxi) Industrial Internet Company Limited	The PRC, 13 November 2023, limited liability company	–	100%	RMB50,000,000	Provision of information and system integration business in the PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(All amounts in RMB millions unless otherwise stated)

18. INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment and nature of legal entity	Percentage of equity interests held		Particular of issued share capital/ paid up capital	Principal activities and place of operation
		Direct	Indirect		
China Unicom (Chongqing) Industrial Internet Company Limited	The PRC, 12 September 2023, limited liability company	–	100%	RMB50,000,000	Provision of information and system integration business in the PRC
China Unicom (Guizhou) Industrial Internet Company Limited	The PRC, 23 October 2023, limited liability company	–	100%	RMB50,000,000	Provision of information and system integration business in the PRC
China Unicom (Shaanxi) Industrial Internet Company Limited	The PRC, 19 September 2023, limited liability company	–	100%	RMB50,000,000	Provision of information and system integration business in the PRC
China Unicom (Gansu) Industrial Internet Company Limited	The PRC, 22 September 2023, limited liability company	–	100%	RMB50,000,000	Provision of information and system integration business in the PRC
China Unicom (Ningxia) Industrial Internet Company Limited	The PRC, 3 November 2023, limited liability company	–	100%	RMB50,000,000	Provision of information and system integration business in the PRC
China Unicom (Xinjiang) Industrial Internet Company Limited	The PRC, 8 November 2023, limited liability company	–	100%	RMB50,000,000	Provision of information and system integration business in the PRC
China Unicom Digital Intelligence Medical Technology Co., LTD	The PRC, 10 December 2023, limited liability company	–	46.43%	RMB150,000,000	Provision of technology service, development, consultation, communication, transfer and promotion in the PRC
Nebula Times Technoloy Co.,Ltd.	The PRC, 26 April 2023, limited liability company	–	48%	RMB135,000,000	Provision of internet connection relevant service in the PRC
China Unicom (Guangdong) Network Information Security Technology Co., Ltd.	The PRC, 26 January 2024, limited liability company	–	100%	RMB1,000,000,000	Provision of software and information technology service in the PRC
Rural Revitalization Institute of Digital Industry Co., Ltd.	The PRC, 8 February 2024, limited liability company	–	70%	RMB50,000,000	Provision of value-added telecommunications business, certification services, internet information services and sales of IT security products in the PRC

18. INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment and nature of legal entity	Percentage of equity interests held		Particular of issued share capital/ paid up capital	Principal activities and place of operation
		Direct	Indirect		
China Unicom (Huailai) Big Data Innovation Industry Company Limited	The PRC, 20 March 2024, limited liability company	–	100%	RMB50,000,000	Provision of internet data services and technology development services in the PRC
China Unicom (Qinghai) Green Power Intelligent Computing Technology Co., Ltd	The PRC, 11 May 2024, limited liability company	–	100%	RMB50,000,000	Provision of information and system integration business in the PRC
China Unicom Data Intelligence Co., Ltd.	The PRC, 22 September 2024, limited liability company	–	100%	RMB1,000,000,000	Provision of information processing and storage support in the PRC
China Unicom (Middle East) Operations FZ-LLC	United Arab Emirates, 27 September 2024, limited liability company	–	100%	–	Telecommunications service in UAE
China Unicom (Yunnan) Industrial Internet Company Limited	The PRC, 29 September 2024, limited liability company	–	100%	–	Provision of information and system integration business in the PRC
China Unicom (Macau) Operations Limited	Macau, 19 November 2024, limited liability company	–	100%	–	Telecommunications service in Macau
China Unicom (Hong Kong) Innovation Research Institute Limited	Hong Kong, 20 November 2024, limited liability company	–	100%	–	Natural science research and experimental development
China Unicom Xinwo Venture Capital Management (Shanghai) Co., Ltd.	The PRC, 2 February 2016, limited liability company	–	78%	RMB12,000,000	Provision of investment business in the PRC
Unicom Guangxin I (Guangzhou) Equity Investment Partnership (L.P.)	The PRC, 18 September 2019, limited partnership	–	75.95%	RMB253,750,000	Provision of investment consultation services in the PRC

For subsidiaries which the Group's ownership is less than 50%, the Group has a majority of the voting rights to direct the relevant activities of these subsidiaries pursuant to articles of association.

None of the subsidiaries had issued any debt securities during the year ended 31 December 2024 (2023: None of the subsidiaries had issued any debt securities). Details of the issued debt securities are disclosed in Note 38.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024
(All amounts in RMB millions unless otherwise stated)

19. INTEREST IN ASSOCIATES

	2024	2023
Share of net assets	45,058	44,188

The following list contains the particulars of a material associate as at 31 December 2024:

Name	Form of business structure	Place of incorporation and business	Proportion of ownership interest held by a subsidiary	Paid up capital	Principal activities
Tower Company	Incorporated	The PRC	20.65%	RMB176,008,471,024	Construction, maintenance and operation of communications towers in the PRC (Note 43.3)

The above associate is accounted for using the equity method in the consolidated financial statements.

Summarised financial information of the material associate, adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements, are disclosed below:

	Tower Company 2024	2023
Current assets	91,360	78,083
Non-current assets	241,474	247,924
Current liabilities	(75,799)	(63,934)
Non-current liabilities	(57,056)	(64,379)
Equity	(199,979)	(197,694)
Revenue	97,772	94,009
Profit for the year	10,730	9,750
Total comprehensive income for the year	10,727	9,756
Reconciled to the Group's interest in the associate:		
Net assets of the associate	199,979	197,694
Non-controlling interests of the associate	(1)	–
The Group's effective interest	20.65%	20.65%
	41,295	40,824
Adjustment for the remaining balance of the deferred gain from the transactions with Tower Company	(218)	(479)
Carrying amount in the consolidated financial statements	41,077	40,345

19. INTEREST IN ASSOCIATES (Continued)

The fair values of the interests in Tower Company is based on quoted market prices available on the SEHK (level 1: quoted price (unadjusted) in active markets) at the financial position date without any deduction for transaction costs and disclosed as follows:

	As at 31 December 2024		As at 31 December 2023	
	Carrying amount	Fair value	Carrying amount	Fair value
Interest in listed associate —Tower Company	41,077	37,697	40,345	27,009

Aggregate information of associates that are not individually material:

	2024	2023
The Group's share of profit	73	115
The Group's share of other comprehensive income	—	—
The Group's share of total comprehensive income	73	115
Aggregate carrying amount of the Group's interest in these associates	3,981	3,843

20. INTEREST IN JOINT VENTURES

	2024	2023
Share of net assets	11,453	10,240

The following list contains the particulars of a material joint venture, which is an unlisted corporate entity and has no available quoted market price as at 31 December 2024:

Name	Form of business structure	Place of incorporation and business	Proportion of ownership interest held by a subsidiary	Paid up capital	Principal activities
Merchants Union Consumer Finance Company Limited ("MUCFC")	Incorporated	The PRC	50%	RMB10,000,000,000	Consumer finance consulting in the PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(All amounts in RMB millions unless otherwise stated)

20. INTEREST IN JOINT VENTURES (Continued)

Summarised financial information of the material joint venture, adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements, are disclosed below:

	MUCFC	
	2024	2023
Assets	**163,751**	176,421
Liabilities	**(141,088)**	(156,054)
Equity	**(22,663)**	(20,367)
Revenue	**17,318**	19,602
Profit for the year	**3,016**	3,600
Total comprehensive income for the year	**3,016**	3,600
Included in above income:		
Interest income	**22,391**	24,943
Interest expense	**(3,672)**	(4,408)
Income tax expense	**(440)**	(533)
Reconciled to the Group's interests in the joint venture:		
Net assets of the joint venture	**22,663**	20,367
The Group's effective interest	**50%**	50%
Carrying amount in the consolidated financial statements	**11,332**	10,184

Aggregate information of joint ventures that are not individually material:

	2024	2023
The Group's share of (loss)/profit	**(27)**	3
The Group's share of other comprehensive income	**—**	—
The Group's share of total comprehensive income	**(27)**	3
Aggregate carrying amount of the Group's interest in these joint ventures	**121**	56

21. CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	2024	2023
Contract assets from bundle sales of mobile handsets and provision of service, net of allowance	219	201
Others	133	164
Sub-total	352	365
Less: Current portion	(275)	(279)
	77	86

The Group offers preferential packages to the customers which include the bundle sales of mobile handsets and provision of service. The total contract consideration of such preferential packages is allocated to service revenue and sales of handsets based on their standalone selling prices. The revenue relating to the sale of the handsets is recognised when the customers obtain the control of the handsets and the consideration allocated to the sales of mobile handsets is gradually received during the contract period when the customers pay the monthly package fee.

(b) Contract liabilities

	Note	2024	2023
Advances received from customers for future services	(i)	45,275	44,913
Others		1,464	1,266
		46,739	46,179

(i) Contract liabilities primarily relate to the considerations received from customers before the Group satisfying performance obligations. It would be recognised as revenue upon the rendering of services. Almost all of the contract liability balance as at 31 December 2023 was recognised as revenue for the year ended 31 December 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(All amounts in RMB millions unless otherwise stated)

22. CONTRACT COSTS

	Note	2024	2023
Direct incremental costs of broadband and internet protocol television ("IPTV") service	(i)	8,850	8,368
Sales commissions	(ii)	18	125
		8,868	8,493

(i) Direct incremental costs for activating broadband and IPTV subscribers mainly include the costs of installing broadband and IPTV terminals at customer's homes for the provision of broadband and IPTV services, and are amortised over the expected service period. The amount of capitalised direct incremental costs for activating broadband and IPTV subscribers recognised in profit or loss during the year was RMB7,022 million (2023: RMB5,855 million). There was no significant impairment in relation to the capitalised costs as at 31 December 2024 (2023: Nil).

(ii) Sales commissions are paid to agents whose selling activities resulted in new customers entering into contracts with the Group. The amount of capitalised sales commissions recognised in profit or loss during the year was RMB107 million (2023: RMB175 million). There was no significant impairment in relation to capitalised costs as at 31 December 2024 (2023: Nil).

23. FINANCIAL ASSETS MEASURED AT FAIR VALUE

	Note	2024	2023
Non-current portion:			
Equity securities measured at FVOCI (non-recycling)	(i)	2,210	2,042
Financial assets measured at FVPL	(ii)	1,150	1,158
Debt securities measured at FVOCI (recycling)	(iii)	1,307	2,017
		4,667	5,217
Current portion:			
Financial assets measured at FVPL	(ii)	2,526	2,608
Debt securities measured at FVOCI (recycling)	(iii)	6,624	21,820
		9,150	24,428
		13,817	29,645

23. FINANCIAL ASSETS MEASURED AT FAIR VALUE (Continued)

(i) Equity securities measured at FVOCI (non-recycling)

	Note	2024	2023
Listed in the PRC		197	146
Listed outside the PRC	40	1,902	1,783
Unlisted		111	113
		2,210	2,042

(ii) Financial assets measured at FVPL represent certain equity investments, investments in monetary funds and wealth management products.

(iii) Debt securities measured at FVOCI (recycling) represent certain debt investments issued by banks and the investments are held within a business model whose objective is achieved by both the collection of contractual cash flows and sale.

24. SHORT-TERM BANK DEPOSITS AND RESTRICTED DEPOSITS

	2024	2023
Short-term bank deposits	22,265	8,102
Restricted deposits	3,961	2,977
	26,226	11,079

25. OTHER ASSETS

	Note	2024	2023
Intangible assets	(i)	19,958	18,265
Prepaid services charges for transmission lines and electricity cables and other services		1,332	1,601
VAT recoverable	(ii)	399	405
Capital bonds		442	433
Others		1,916	1,831
		24,047	22,535

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024
(All amounts in RMB millions unless otherwise stated)

25. OTHER ASSETS (Continued)

(i) Intangible assets

	Computer software	Others	Total
Cost:			
At 1 January 2023	35,547	7,165	42,712
Additions	65	176	241
Transfer from CIP	2,998	4,399	7,397
Disposals	(2,716)	(302)	(3,018)
At 31 December 2023	35,894	11,438	47,332
Additions	**254**	**173**	**427**
Transfer from CIP	**417**	**6,947**	**7,364**
Disposals	**(4,648)**	**(288)**	**(4,936)**
At 31 December 2024	**31,917**	**18,270**	**50,187**
Accumulated amortisation and impairment:			
At 1 January 2023	(22,722)	(3,521)	(26,243)
Amortisation charge for the year	(3,753)	(1,754)	(5,507)
Disposals	2,432	251	2,683
At 31 December 2023	(24,043)	(5,024)	(29,067)
Amortisation charge for the year	**(3,442)**	**(2,286)**	**(5,728)**
Disposals	**4,332**	**234**	**4,566**
At 31 December 2024	**(23,153)**	**(7,076)**	**(30,229)**
Net book value:			
At 31 December 2024	**8,764**	**11,194**	**19,958**
At 31 December 2023	11,851	6,414	18,265

(ii) VAT recoverable includes input VAT and prepaid VAT which is expected to be deducted beyond one year. VAT recoverable which is expected to be deducted within one year are included in "prepayments and other current assets". See Note 28(i).

26. INVENTORIES

	2024	2023
Handsets and other telecommunication products	1,459	1,386
Others	1,004	831
	2,463	2,217

27. ACCOUNTS RECEIVABLE

	2024	2023
Accounts receivable	77,547	57,349
Less: Credit loss allowance	(23,817)	(18,657)
	53,730	38,692

The gross carrying amount of accounts receivable from contracts with customers amounted to RMB77,425 million as at 31 December 2024 (2023: RMB57,234 million).

The aging analysis of accounts receivable, based on the billing date and net of credit loss allowance, is as follows:

	2024	2023
Within one month	16,037	12,429
More than one month but not more than three months	9,457	7,524
More than three months but not more than one year	20,417	15,024
More than one year	7,819	3,715
	53,730	38,692

The normal credit period granted by the Group to individual subscribers and general corporate customers is thirty days from the date of billing unless they meet certain specified credit assessment criteria. For major corporate customers, the credit period granted by the Group is based on the service contract terms, normally not exceeding one year.

There is no significant concentration of credit risk with respect to customers receivables, as the Group has a large number of customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(All amounts in RMB millions unless otherwise stated)

27. ACCOUNTS RECEIVABLE (Continued)

The Group measures loss allowances for accounts receivable at an amount equal to lifetime ECLs, which is calculated using a provision matrix for those assessed on collective basis. As the Group's historical credit loss experience indicate that there are different loss patterns for different customer types, the loss allowance based on past due status is distinguished between the Group's different customer types.

The following table provides information about the Group's exposure to credit risk and ECLs for accounts receivable as at 31 December 2024:

For individual subscribers and general corporate customers

	Expected loss rate	Gross carrying amount	Loss allowance
Current (not past due)	9%	2,556	(230)
1-90 days past due	46%	1,248	(574)
91-180 days past due	89%	726	(646)
More than 180 days past due	100%	2,813	(2,813)
		7,343	(4,263)

For major corporate customers

	Expected loss rate	Gross carrying amount	Loss allowance
Current (not past due)	2%	14,146	(309)
Within 1 year past due	14%	33,770	(4,755)
1-2 years past due	49%	13,244	(6,490)
2-3 years past due	80%	4,864	(3,871)
More than 3 years past due	99%	4,180	(4,129)
		70,204	(19,554)

27. ACCOUNTS RECEIVABLE (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for accounts receivable as at 31 December 2023:

For individual subscribers and general corporate customers

	Expected loss rate	Gross carrying amount	Loss allowance
Current (not past due)	7%	2,691	(189)
1-90 days past due	42%	1,229	(518)
91-180 days past due	90%	742	(667)
More than 180 days past due	100%	2,587	(2,587)
		7,249	(3,961)

For major corporate customers

	Expected loss rate	Gross carrying amount	Loss allowance
Current (not past due)	2%	10,346	(226)
Within 1 year past due	17%	26,171	(4,572)
1-2 years past due	58%	8,111	(4,685)
2-3 years past due	89%	2,409	(2,150)
More than 3 years past due	100%	3,063	(3,063)
		50,100	(14,696)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(All amounts in RMB millions unless otherwise stated)

27. ACCOUNTS RECEIVABLE (Continued)

The movement in the credit loss allowance in respect of accounts receivable during the year, is as follows:

	2024	2023
Balance, beginning of year	18,657	14,438
Allowance for the year	6,644	5,826
Written-off during the year	(1,484)	(1,607)
Balance, end of year	23,817	18,657

The creation and release of credit loss allowance for receivables have been recognised in the consolidated statement of income. Amounts charged to the allowance account are generally written-off when there is reliable evidence to indicate no expectation of recovering the receivables.

The maximum exposure to credit risk as of the date of the statement of financial position is the carrying value of accounts receivable mentioned above.

28. PREPAYMENTS AND OTHER CURRENT ASSETS

The nature of prepayments and other current assets are as follows:

	Note	2024	2023
Prepaid services charges for transmission lines and electricity cables and other services		4,167	3,247
Prepaid power and water charges		608	638
Deposits and prepayments		3,669	3,615
VAT recoverable	(i)	10,374	10,111
Prepaid income tax expenses		59	35
Financial assets held under resale agreements	(ii)	5,000	5,005
Others		3,713	3,557
		27,590	26,208

28. PREPAYMENTS AND OTHER CURRENT ASSETS (Continued)

(i) VAT recoverable includes the input VAT and prepaid VAT that is expected to be deducted within one year.

(ii) Financial assets held under resale agreements are transactions where Finance Company acquires financial assets which will be resold at a predetermined price at a future date under resale agreements.

Prepayments and other current assets are expected to be recovered or recognised as expenses within one year.

As at 31 December 2024 and 2023, there was no significant impairment for the prepayments and other current assets.

29. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents

	2024	2023
Cash at bank and in hand	28,480	47,733

Cash and cash equivalents refer to all cash on hand and demand deposits, short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash and cash equivalents include demand deposits and short term deposits with original maturity of three months for the purpose of meeting the Group's short term cash commitments, which carry interest at market rates ranging from 0.01% to 1.50% (2023: 0.01% to 1.50%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(All amounts in RMB millions unless otherwise stated)

29. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (Continued)

(b) Reconciliation of liabilities arising from financing activities

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

	Short-term bank loans (Note 37)	Long-term bank loans (Note 33)	Lease liabilities (Note 34)	Other borrowings	Total
At 1 January 2024	681	1,606	43,257	9,233	54,777
Changes from financing cash flows:					
Proceeds from bank loans	710	237	–	–	947
Loans from related parties	–	–	–	546	546
Repayment of short-term bank loans	(680)	–	–	–	(680)
Repayment of other obligations	–	–	–	(14)	(14)
Repayment of long-term bank loans	–	(440)	–	–	(440)
Capital element of lease rentals paid	–	–	(12,887)	–	(12,887)
Net deposits with Finance Company	–	–	–	999	999
Total changes from financing cash flows	30	(203)	(12,887)	1,531	(11,529)
Exchange adjustments	–	7	–	–	7
Other changes:					
Increase in lease liabilities from entering into new leases/lease modifications during the year	–	–	9,121	–	9,121
Decrease due to termination of lease contracts	–	–	(1,850)	–	(1,850)
Others	–	3	–	117	120
Total other changes	–	3	7,271	117	7,391
At 31 December 2024	711	1,413	37,641	10,881	50,646

29. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (Continued)

(b) Reconciliation of liabilities arising from financing activities (Continued)

	Short-term bank loans (Note 37)	Long-term bank loans (Note 33)	Commercial papers (Note 38)	Lease liabilities (Note 34)	Other borrowings	Total
At 1 January 2023	331	1,896	5,025	48,924	8,847	65,023
Changes from financing cash flows:						
Proceeds from bank loans	680	31	–	–	–	711
Loans from related parties	–	–	–	–	583	583
Repayment of short-term bank loans	(330)	–	–	–	–	(330)
Repayment of commercial papers	–	–	(5,000)	–	–	(5,000)
Repayment of other obligations	–	–	–	–	(409)	(409)
Repayment of long-term bank loans	–	(385)	–	–	–	(385)
Repayment of related party loans	–	–	–	–	(913)	(913)
Capital element of lease rentals paid	–	–	–	(12,103)	–	(12,103)
Net deposits with Finance Company	–	–	–	–	949	949
Total changes from financing cash flows	350	(354)	(5,000)	(12,103)	210	(16,897)
Exchange adjustments	–	–	–	–	–	–
Other changes:						
Increase in lease liabilities from entering into new leases/lease modifications during the year	–	–	–	8,505	–	8,505
Decrease due to termination of lease contracts	–	–	–	(2,069)	–	(2,069)
Others	–	64	(25)	–	176	215
Total other changes	–	64	(25)	6,436	176	6,651
At 31 December 2023	681	1,606	–	43,257	9,233	54,777

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(All amounts in RMB millions unless otherwise stated)

30. SHARE CAPITAL

Issued and fully paid:	Number of shares millions	Share capital
At 1 January 2023, at 31 December 2023 and at 31 December 2024	30,598	254,056

31. RESERVES

(a) Movement in components of equity

The Company

	Share capital	Investment revaluation reserve	Other reserve	Retained profits	Total equity
Balance at 1 January 2023	254,056	(9,545)	572	15,447	260,530
Total comprehensive income for the year	—	170	—	10,757	10,927
Dividends relating to 2022 final	—	—	—	(3,335)	(3,335)
Dividends relating to 2023 interim	—	—	—	(6,211)	(6,211)
Balance at 31 December 2023	254,056	(9,375)	572	16,658	261,911
Total comprehensive income for the year	—	119	—	18,694	18,813
Dividends relating to 2023 final	—	—	—	(4,088)	(4,088)
Dividends relating to 2024 interim	—	—	—	(7,591)	(7,591)
Balance at 31 December 2024	254,056	(9,256)	572	23,673	269,045

(b) Nature and purpose

(i) Statutory reserves

CUCL is registered as a foreign investment enterprise in the PRC. In accordance with the Articles of Association, it is required to provide for statutory reserves, which are appropriated from profit after tax but before dividend distribution.

CUCL is required to allocate at least 10% of its profit after tax determined under the PRC Company Law to the statutory reserve fund until the cumulative amounts reach 50% of the registered capital. The statutory reserve can only be used, upon approval obtained from the relevant authority, to offset accumulated losses or increase capital.

Accordingly, CUCL appropriated approximately RMB1,897 million (2023: approximately RMB1,647 million) to the statutory reserve fund for the year ended 31 December 2024.

31. RESERVES (Continued)

(b) Nature and purpose (Continued)

(i) Statutory reserves (Continued)

Appropriation to the staff bonus and welfare fund is made at the discretion of the Board of Directors. The staff bonus and welfare fund can only be used for special bonuses or the collective welfare of the employees and cannot be distributed as cash dividends. Under HKFRSs, the appropriations to the staff bonus and welfare fund are charged to the consolidated statement of income as expenses incurred since any assets acquired through this fund belong to the employees. For the years ended 31 December 2024 and 2023, no appropriation to staff bonus and welfare fund has been made by CUCL.

According to the PRC tax approval document issued by the MOF and the SAT of the PRC, the upfront connection fees were not subject to the PRC enterprise income tax and an amount equal to the upfront connection fees recognised in the retained profits shall be transferred from retained profits to the statutory reserve. As at 31 December 2011, an accumulated appropriation of approximately RMB12,289 million was made to the statutory reserve and no more upfront connection fees are recognised afterwards.

(ii) General risk reserve

CUCL and Unicom Group established the Finance Company to provide certain financial services. Pursuant to "Requirements on Impairment Allowance for Financial Institutions" (Caijin [2012] No. 20) issued by the MOF which is effective on 1 July 2012 (the "Document"), the Finance Company establishes a general risk reserve within the shareholders' equity, through appropriation of retained profits, 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 Document.

(iii) Investment revaluation reserve

The investment revaluation reserve represents the changes in fair value of financial assets measured at FVOCI (non-recycling), net of tax, until the financial assets are derecognised.

(iv) Other reserves

Other reserve mainly represents the difference between the consideration and the net assets value for business combination of entities and businesses under common control, the effect of CUCL's capitalisation of retained profits, and capital contribution relating to share-based payment borne by A Share Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024
(All amounts in RMB millions unless otherwise stated)

32. DIVIDENDS

At the annual general meeting held on 19 May 2023, the shareholders of the Company approved the payment of a final dividend of RMB0.109 per ordinary share for the year ended 31 December 2022, totaling approximately RMB3,335 million which has been reflected as a reduction of retained profits for the year ended 31 December 2023.

At a meeting held on 9 August 2023, the Board of Directors of the Company declared the payment of 2023 interim dividend of RMB0.203 per ordinary share to the shareholders totalling approximately RMB6,211 million.

At the annual general meeting held on 30 May 2024, the shareholders of the Company approved the payment of a final dividend of RMB0.1336 per ordinary share for the year ended 31 December 2023, totaling approximately RMB4,088 million which has been reflected as a reduction of retained profits for the year ended 31 December 2024.

At a meeting held on 15 August 2024, the Board of Directors of the Company declared the payment of 2024 interim dividend of RMB0.2481 per ordinary share to the shareholders totalling approximately RMB7,591 million. At a meeting held on 18 March 2025, the Board of Directors of the Company proposed the payment of a final dividend of RMB0.1562 per ordinary share to the shareholders for the year ended 31 December 2024 totaling approximately RMB4,779 million. The proposed dividend has not been reflected as a dividend payable in the consolidated financial statements as at 31 December 2024, but will be reflected in the consolidated financial statements for the year ending 31 December 2025.

	2024	2023
Declared and paid interim dividend:		
RMB 0.2481 (2023: RMB0.203) per ordinary share by the Company	7,591	6,211
Proposed/paid final dividend:		
RMB0.1562 (2023: RMB0.1336) per ordinary share by the Company	4,779	4,088
	12,370	10,299

Pursuant to the PRC enterprise income tax law, a 10% withholding income tax is levied on dividends declared on or after 1 January 2008 by foreign investment enterprises to their foreign enterprise shareholders unless the enterprise investor is deemed as a PRC Tax Resident Enterprise ("TRE"). On 11 November 2010, the Company obtained an approval from the State Taxation Administration of the PRC, pursuant to which the Company qualifies as a PRC TRE from 1 January 2008. Therefore, as at 31 December 2024, the Company's subsidiaries in the PRC did not accrue for withholding tax on dividends distributed to the Company and there has been no deferred tax liability accrued in the Group's consolidated financial statements for the undistributed profits of the Company's subsidiaries in the PRC.

For the Company's non-PRC TRE shareholders (including HKSCC Nominees Limited), the Company would distribute dividends after deducting the amount of enterprise income tax payable by these non-PRC TRE shareholders thereon and reclassify the related dividend payable to withholding tax payable upon the declaration of such dividends. The requirement to withholding tax does not apply to the Company's shareholders appearing as individuals in its share register.

33. LONG-TERM BANK LOANS

	Interest rates and final maturity	2024	2023
RMB denominated bank loans	Fixed interest rates ranging from 1.08% to 2.56% (2023: 1.08% to 2.40%) per annum with maturity through 2036 (2023: maturity through 2036)	1,274	1,443
US dollars denominated bank loans	Fixed interest rate is Nil (2023: Nil) per annum with maturity through 2039 (2023: maturity through 2039)	139	153
Euro denominated bank loans	Fixed interest rates is 1.10% to 1.50% (2023: 1.10% to 1.50%) per annum	—	10
Sub-total		1,413	1,606
Less: Current portion		(243)	(354)
		1,170	1,252

As at 31 December 2024, long-term bank loans of approximately RMB29 million (2023: approximately RMB33 million) were guaranteed by third parties.

The repayment schedule of the long-term bank loans is as follows:

	2024	2023
Balances due:		
— No later than one year	243	354
— More than one year and no later than two years	172	287
— More than two years and no later than five years	717	628
— More than five years	281	337
	1,413	1,606
Less: Portion classified as current liabilities	(243)	(354)
	1,170	1,252

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024
(All amounts in RMB millions unless otherwise stated)

34. LEASE LIABILITIES

At 31 December 2024 and 2023, the lease liabilities were repayable as follows:

	2024		2023	
	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
Within 1 year	13,419	13,747	12,640	12,901
After 1 year but within 2 years	10,851	11,494	10,635	11,273
After 2 years but within 5 years	12,118	13,431	18,740	20,988
After 5 years	1,253	1,784	1,242	1,822
	24,222	26,709	30,617	34,083
Total lease liabilities	37,641	40,456	43,257	46,984
Less: total future interest expenses		(2,815)		(3,727)
Present value of lease liabilities		37,641		43,257

The total cash outflow for leases incurred by the Group for the year ended 31 December 2024 was RMB23,635 million (2023: RMB23,622 million).

35. DEFERRED REVENUE

Deferred revenue mainly represents the unamortised portion of government grants.

	2024	2023
Balance at beginning of the year	9,212	7,832
Additions for the year		
— government grants	1,448	1,715
— others	1,170	1,395
Sub-total	2,618	3,110
Reductions for the year		
— recognition of government grants in profit or loss	(1,617)	(1,042)
— others	(1,984)	(688)
Sub-total	(3,601)	(1,730)
Balance at end of the year	8,229	9,212

36. OTHER OBLIGATIONS

	Note	2024	2023
One-off cash housing subsidies	(a)	2,493	2,493
Others	(b)	1,112	939
Sub-total		3,605	3,432
Less: Current portion		(2,495)	(2,493)
		1,110	939

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024
(All amounts in RMB millions unless otherwise stated)

36. OTHER OBLIGATIONS (Continued)

(a) One-off cash housing subsidies

Certain staff quarters, prior to 1998, were sold to certain of the Group's employees at preferential prices, subject to a number of eligibility requirements. In 1998, the State Council issued a circular which stipulated that the sale of quarters to employees at preferential prices should be terminated. In 2000, the State Council issued a further circular stating that cash subsidies should be made to certain eligible employees following the withdrawal of the allocation of staff quarters. However, the specific timetable and procedures for the implementation of these policies were to be determined by individual provincial or municipal governments based on the particular situation of the provinces or municipality.

Based on the relevant detailed local government regulations promulgated, certain entities within the Group adopted cash housing subsidy plans. In accordance with these plans, for those eligible employees who had not been allocated with quarters or who had not been allocated with quarters up to the prescribed standards before the discounted sales of quarters were terminated, the Group determined to pay them one-off cash housing subsidies based on their years of service, positions and other criteria. Based on the available information, the Group estimated the required provision for these cash housing subsidies amounted to RMB4,142 million, which was charged to the consolidated statement of income for the year ended 31 December 2000 (the year in which the State Council circular in respect of cash subsidies was issued).

In January 2009, through the absorption of China Netcom (Group) Company Limited ("CNC China") by CUCL and the absorption of China Network Communications Group Corporation ("Netcom Group") by Unicom Group, the rights and obligations formerly undertaken by CNC China and Netcom Group were taken over by CUCL and Unicom Group separately. As at 31 December 2024, the Group's unpaid one-off cash housing subsidies amounted to approximately RMB2,493 million (31 December 2023: RMB2,493 million). If the actual payments required for these one-off housing subsidies differ from the amount provided, Unicom Group will bear any additional payments required. If the actual payments are lower than the amount provided, the difference will be paid to Unicom Group.

(b) Others mainly include the balance of contributions from other investors of a subsidiary established by the Group (limited life entities) which were classified as financial liabilities by the Group.

37. SHORT-TERM BANK LOANS

	Interest rates and final maturity	2024	2023
RMB denominated bank loans	Fixed interest rates ranging from 1.10%- 3.95% (2023: 1.45%- 1.65%) per annum with maturity through 2025 (2023: maturity through 2024)	711	681

As at 31 December 2024 and 2023, all short-term bank loans were unsecured.

38. COMMERCIAL PAPERS

On 2 September 2022, CUCL issued tranche one of 2022 short term commercial papers in an amount of RMB5 billion, with a maturity period of 365 days from the date of issue and which carries interest at 1.73% per annum, and was fully repaid in September 2023.

39. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2024	2023
Payables to contractors and equipment suppliers	**92,319**	94,259
Payables to telecommunications products suppliers	**2,983**	1,887
Customer/contractor deposits	**5,204**	5,012
Repair and maintenance expense payables	**12,647**	9,320
Salary and welfare payables	**6,137**	8,917
Amounts due to technical support services and other service providers/content providers	**8,393**	9,499
VAT received from customer in advance	**2,323**	2,380
Accrued expenses	**20,394**	19,101
Others	**12,967**	10,904
	163,367	161,279

The aging analysis of accounts payable and accrued liabilities based on the billing date is as follows:

	2024	2023
Less than six months	**125,314**	137,565
Six months to one year	**15,940**	7,803
More than one year	**22,113**	15,911
	163,367	161,279

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024
(All amounts in RMB millions unless otherwise stated)

40. MUTUAL INVESTMENT OF THE COMPANY AND TELEFÓNICA IN EACH OTHER

On 6 September 2009, the Company announced that in order to strengthen the cooperation between the Company and Telefónica, the parties entered into a strategic alliance agreement and a subscription agreement, pursuant to which each party conditionally agreed to invest an equivalent of US dollars 1 billion in each other through an acquisition of each other's shares.

On 23 January 2011, the Company entered into an agreement to enhance the strategic alliance with Telefónica that: (a) Telefónica would purchase ordinary shares of the Company for a consideration of US dollars 500 million through acquisition from third parties; and (b) the Company would acquire from Telefónica 21,827,499 ordinary shares of Telefónica held in treasury ("Telefónica Treasury Shares") for an aggregate purchase price of Euro374,559,882.84. On 25 January 2011, the Company completed the purchase of Telefónica Treasury Shares in accordance with the strategic agreement. During 2011, Telefónica completed its investment of US dollars 500 million in the Company.

On 14 May 2012, Telefónica declared a dividend. The Company chose to implement it by means of a scrip dividend and received 1,646,269 ordinary shares of approximately RMB146 million.

As at 31 December 2024, the related financial assets measured at FVOCI amounted to approximately RMB1,902 million (31 December 2023: approximately RMB1,783 million). For the year ended 31 December 2024, the increase in fair value of the financial assets measured at FVOCI was approximately RMB 119 million (2023: increase of approximately RMB170 million), has been recorded in the consolidated statement of comprehensive income.

41. EQUITY-SETTLED SHARE OPTION SCHEMES

On 16 April 2014, the Company adopted a new share option scheme (the "2014 Share Option Scheme"). The 2014 Share Option Scheme is valid and effective for a period of 10 years commencing on 22 April 2014 and expired on 22 April 2024. Under the 2014 Share Option Scheme, the share options may be granted to employees including all directors; any grant of share options to a Connected Person (as defined in the Listing Rules) of the Company must be approved by the independent non-executive directors of the Company (excluding any independent non-executive director of the Company in the case such director is a grantee of the options) and all grants to connected persons shall be subject to compliance with the requirements of the Listing Rules, including where necessary the prior approval of the shareholders. Pursuant to the 2014 Share Option Scheme, the consideration payable by a participant for the grant of share options will be HK dollars 1.00. The exercise price payable by a participant upon the exercise of an option will be determined by the Board of Directors at their discretion at the date of grant, except that such price may not be set below a minimum price which is the higher of:

(i) The closing price of the shares on the SEHK on the offer date in respect of the share options; and

(ii) The average closing price of the shares on the SEHK for the five trading days immediately preceding the offer date.

The option period commences on any day after the date on which such share option is offered, but may not exceed 10 years from the offer date. No share options had been granted since adoption of the 2014 Share Option Scheme.

No options are outstanding as at 31 December 2024 and 2023.

42. RESTRICTED A-SHARE INCENTIVE SCHEME

The Phase I Restricted A-Share Incentive Scheme

Pursuant to the share incentive scheme (Phase I) of A Share Company (the "Phase I Restricted A-Share Incentive Scheme"), not more than 848 million restricted shares of A Share Company (the "Phase I Restricted Shares") were approved for granting to the core employees of the Group, the first batch granted Phase I Restricted Shares of 793,861,000 and second batch granted Phase I Restricted Shares of 13,156,000 were subscribed by the participants, including certain core employees of the Company's subsidiaries on 21 March 2018 and 1 February 2019 (the "Grant Dates"), respectively, with a subscription price of RMB3.79 per share. The fair value of the Phase I Restricted Shares granted under the respective Grant Dates is RMB2.34 and RMB1.57 per share, respectively, as determined based on the difference between the market price of A Share Company of RMB6.13 per share and RMB5.36 per share at the respective Grant Dates, and the subscription price of RMB3.79 per share.

The Phase I Restricted Shares are subject to various lock-up periods (the "Lock-Up Period I") of approximately 2 years, 3 years and 4 years, respectively, immediately from the Grant Dates. During the Lock-Up Period I, these shares are not transferrable, nor subject to any guarantee or indemnity. The Phase I Restricted Shares shall be unlocked (or repurchased and cancelled by A Share Company) separately in three tranches in proportion of 40%, 30% and 30% of the total number of the Phase I Restricted Shares granted upon the expiry of each of the Lock-Up Period I.

Subject to fulfilment of all service and performance conditions under the Phase I Restricted A-Share Incentive Scheme which include the achievement of certain revenue and profit targets of A Share Company, the participants' individual performance appraisal, etc. (collectively referred to as "vesting conditions"), the restriction over the Phase I Restricted Shares will be removed after the expiry of the corresponding Lock-Up Period I for each tranche and the participants will be fully entitled to these incentive shares. If the vesting conditions are not fulfilled and hence the Phase I Restricted Shares cannot be unlocked, A Share Company shall repurchase the Phase I Restricted Shares based on the respective subscription price from the participants.

Pursuant to the Phase I Restricted A-Share Incentive Scheme, the third Lock-Up Period I of approximately 4 years for the second batch have expired in 2023. With the fulfilment of the vesting conditions, the Phase I Restricted Shares of 3,240,375 in aggregate were approved for unlocking after the expiry of the Lock-Up Period I by the Board of Directors of A Share Company and 443,925 were forfeited in 2023.

The Phase II Restricted A-Share Incentive Scheme

Pursuant to the share incentive scheme (Phase II) of A Share Company (the "Phase II Restricted A-Share Incentive Scheme"), approximately 838 million restricted shares of A Share Company (the "Phase II Restricted Shares") were approved for granting to the core employees of the Group, the granted Phase II Restricted Shares of 838,340,000 were subscribed by the participants, including certain core employees of the Company's subsidiaries on 1 November 2022 (the "Grant Date"), with a subscription price of RMB2.48 per share. The fair value of the Phase II Restricted Shares granted under the Grant Date is RMB0.93 per share, as determined based on the difference between the market price of A Share Company of RMB3.41 per share at the Grant Date, and the subscription price of RMB2.48 per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024
(All amounts in RMB millions unless otherwise stated)

42. RESTRICTED A-SHARE INCENTIVE SCHEME (Continued)

The Phase II Restricted A-Share Incentive Scheme (Continued)

The Phase II Restricted Shares are subject to various lock-up periods (the "Lock-Up Period II") of approximately 2 years, 3 years and 4 years, respectively, immediately from the Grant Date. During the Lock-Up Period II, these shares are not transferrable, nor subject to any guarantee or indemnity. The Phase II Restricted Shares shall be unlocked (or repurchased and cancelled by A Share Company) separately in three tranches in proportion of 40%, 30% and 30% of the total number of the Phase II Restricted Shares granted upon the expiry of each of the Lock-Up Period II.

Subject to fulfilment of all service and performance conditions under the Phase II Restricted A-Share Incentive Scheme which include the achievement of certain revenue and profit targets of A Share Company, the participants' individual performance appraisal, etc., the restriction over the Phase II Restricted Shares will be removed after the expiry of the corresponding Lock-Up Period II for each tranche and the participants will be fully entitled to these incentive shares. If the vesting conditions are not fulfilled and hence the Phase II Restricted Shares cannot be unlocked, A Share Company shall repurchase the Phase II Restricted Shares based on the lower of the subscription price from the participants and the market price at the time of repurchase.

Pursuant to the Phase II Restricted A-Share Incentive Scheme, the first Lock-Up Period II of approximately 2 years for this batch have expired in November 2024. During the year ended 31 December 2024, with the fulfilment of the vesting conditions, the Phase II Restricted Shares of 314,488,200 (2023: nil) in aggregate were approved for unlocking after the expiry of the Lock-Up Period II by the Board of Directors of A Share Company.

For the year ended 31 December 2024, the Group recognised share-based payment expenses and other reserves of RMB247 million under the Phase II Restricted A-Share Incentive Schemes (2023: RMB282 million).

For the year ended 31 December 2024, the Phase II Restricted Shares of 26,252,600 were forfeited.

43. MATERIAL RELATED PARTY TRANSACTIONS

Unicom Group is a state-owned enterprise directly controlled by the PRC government. The PRC government is the Company's ultimate controlling party. Neither Unicom Group nor the PRC government publishes financial statements available for public use.

The PRC government controls a significant portion of the productive assets and entities in the PRC. The Group provides telecommunications services as part of its retail transactions, thus, is likely to have extensive transactions with the employees of other state-owned enterprises, including their key management personnel and their close family members. These transactions are carried out on commercial terms that are consistently applied to all customers.

Management considers certain state-owned enterprises have material transactions with the Group in its ordinary course of business, which include but not limited to 1) rendering and receiving telecommunications services, including interconnection revenue/charges; 2) sharing certain telecommunications network infrastructure; 3) purchasing of goods, including use of public utilities; and 4) placing of bank deposits and borrowing money. The Group's telecommunications network depends, in large part, on interconnection with the network and on transmission lines service provided by other domestic carriers. These transactions are mainly carried out on terms comparable to those conducted with third parties or standards promulgated by relevant government authorities and have been reflected in the financial statements. Amounts due from domestic carriers are all derived from contracts with customers.

Management believes that meaningful information relating to related party transactions has been disclosed below.

43. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

43.1 Connected transactions with Unicom Group and its subsidiaries other than the Group ("Unicom Group and its subsidiaries")

(a) Recurring transactions

The following is a summary of significant recurring transactions carried out by the Group with Unicom Group and its subsidiaries. In the directors' opinion, these transactions were carried out in the ordinary course of business.

The following transactions with Unicom Group and its subsidiaries constitute continuing connected transactions under the Listing Rules. 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 Report of Directors.

	Note	2024	2023
Transactions with Unicom Group and its subsidiaries:			
Charges for value-added telecommunications services	(i), (ii)	128	12
Rental charges for short-term property leasing and related services	(i), (iii)	1,131	945
Charges for use of telecommunications resources and related services	(i), (iv)	215	209
Charges for engineering design and construction and IT services	(i), (v)	230	175
Charges for shared services	(i), (vi)	77	76
Charges for materials procurement services	(i), (vii)	4	3
Charges for ancillary telecommunications services	(i), (viii)	141	150
Charges for comprehensive support services	(i), (ix)	501	836
Income from comprehensive support services	(i), (ix)	240	194
Lending by Finance Company to Unicom Group and its subsidiaries	(i), (xi)	8,400	5,700
Repayment of loans lending by Finance Company to Unicom Group and its subsidiaries	(i), (xi)	8,000	5,700
Fee and interest income from lending services	(i), (xi)	129	126
Income from other financial services	(i), (xi)	2	1
Net deposits with Finance Company	(i), (xi)	996	912
Interest expenses on the deposits in Finance Company	(i), (xi)	124	105
Interest expenses on unsecured entrusted loans	(xii)	21	43
Lending from Unicom Group and its subsidiaries	(xii)	546	583
Repayment of loans lending from Unicom Group and its subsidiaries	(xii)	—	913

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024
(All amounts in RMB millions unless otherwise stated)

43. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

43.1 Connected transactions with Unicom Group and its subsidiaries other than the Group ("Unicom Group and its subsidiaries") (Continued)

(a) Recurring transactions (Continued)

(i) On 28 October 2022, CUCL and Unicom Group entered into the "2023-2025 Comprehensive Services Agreement", and Finance Company and Unicom Group entered into the "2023-2025 Financial Services Agreement". Pursuant to the "2023-2025 Comprehensive Services Agreement", CUCL and Unicom Group agreed to provide services to each other or by one to the other, including (i) use of telecommunications resources; (ii) property leasing; (iii) value-added telecommunications services; (iv) materials procurement services; (v) engineering design and construction and IT services; (vi) ancillary telecommunications services; (vii) comprehensive support services and (viii) shared services. Pursuant to the "2023-2025 Financial Services Agreement", Finance Company agreed to provide financial services to Unicom Group.

(ii) UNISK (Beijing) Information Technology Corporation Limited ("UNISK") agreed to provide the mobile subscribers of CUCL with various types of value-added services through its cellular communications network and data platform. The Group retains a portion of the revenue generated from the value-added services provided to the Group's subscribers (and actually received by the Group) and allocates a portion of such fees to UNISK for settlement, on the condition that such proportion allocated to UNISK does not exceed the average proportion allocated to independent value-added telecommunications content providers who provide value-added telecommunications content to the Group in the same region. The percentage of revenue to be allocated to UNISK by the Group varies depending on the types of value-added service provided to the Group.

(iii) CUCL and Unicom Group agreed to mutually lease properties and ancillary facilities from each other. Rentals are based on the lower of the market rates and the depreciation costs and taxes. In addition to the above amount, the Group recognised a total addition of right-of-use asset of RMB108 million resulting from the properties leased (lease term exceeds 12 months) in 2024.

43. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

43.1 Connected transactions with Unicom Group and its subsidiaries other than the Group ("Unicom Group and its subsidiaries") (Continued)

(a) Recurring transactions (Continued)

(iv) CUCL was agreed to use certain international telecommunications resources (including international telecommunications channel gateways, international telecommunications service gateways, international submarine cable capacity, international land cables and international satellite facilities) and certain other telecommunications facilities of Unicom Group for its operations. The charges for the use of international telecommunications resources and other telecommunications facilities are based on the annual depreciation and amortisation charges of such resources and facilities provided that such charges would not be higher than market rates. For maintenance service to the telecommunications facilities aforementioned, unless otherwise agreed by CUCL and Unicom Group, such maintenance service charges would be borne by CUCL and determined with reference to market rates or a cost-plus basis if there are no market rates.

(v) Unicom Group agreed to provide engineering design, construction and supervision services and IT services to CUCL. The charges payable by CUCL for the above services are determined with reference to the market price and are settled when the relevant services are provided.

(vi) Unicom Group and CUCL agreed to provide shared services to each other and would share the costs related to the shared services proportionately in accordance with their respective total assets value with certain adjustments. For the years ended 31 December 2024 and 2023, the services charges paid by Unicom Group to CUCL was negligible.

(vii) Unicom Group agreed to provide comprehensive procurement services for imported and domestic telecommunications materials and other domestic non-telecommunications materials to CUCL. Unicom Group has also agreed to provide services on management of tenders, verification of technical specifications, installation, consulting and agency services. In addition, Unicom Group will sell materials to CUCL and resell the equipment purchased from the third parties, and will also provide storage and logistics services in relation to the above materials procurement. The charges payable by CUCL to Unicom Group are based on contract values, market rates, government guidance price or cost-plus basis where applicable.

(viii) Unicom Group agreed to provide ancillary telecommunications services to CUCL. These services include certain telecommunications pre-sale, on-sale and after-sale services such as assembling and repairing of certain telecommunications equipment, sales agency services, printing and invoice delivery services, maintenance of telephone booths, customers acquisitions and servicing and other customers' service. The charges are based on market rates, government guidance price or cost-plus basis and are settled as and when the relevant services are provided.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024
(All amounts in RMB millions unless otherwise stated)

43. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

43.1 Connected transactions with Unicom Group and its subsidiaries other than the Group ("Unicom Group and its subsidiaries") (Continued)

(a) Recurring transactions (Continued)

(ix) Unicom Group and CUCL agreed to provide comprehensive support services to each other, including dining services, facilities leasing services, vehicle services, health and medical services, labour services, security services, hotel and conference services, gardening services, decoration and renovation services, construction agency, equipment maintenance services, market development, sanitary services, parking services, staff trainings, storage services, advertising services, marketing, property management services.

CUCL agreed to provide comprehensive services to Unicom Group, including sales services, technical support services, research and development services, communication services and communications technology services (including construction and installation services, system integration services, software development, product sales and agent services, operation and maintenance services, and consultation services).

The charges are based on market rates, government guidance price or cost-plus basis and are settled as and when the relevant services are provided.

(x) Unicom Group is the registered proprietor of the "Unicom" trademark in English and the trademark bearing the "Unicom" logo, which are registered at the PRC State Trademark Bureau. Pursuant to an exclusive PRC trademark licence agreement between Unicom Group and the Group, the Group has been granted the right to use these trademarks on a royalty free and renewal basis.

(xi) Finance Company has agreed to provide financial services to Unicom Group and its subsidiaries, including deposit services, lending and other credit services, and other financial services.

For the deposit services from Finance Company to Unicom Group and its subsidiaries, the maximum and minimum deposit interest rates will follow the provisions of the PBOC for deposits of the same period and the same type, and be determined with reference to the interest rate for the same period and same type of deposit offered to Unicom Group by the major cooperative commercial banks of Unicom Group and/or offered by Finance Company to other client. 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.90 of the Listing Rules.

For the lending services from Finance Company to Unicom Group and its subsidiaries, the interest rate will follow the relevant provisions of the PBOC, which will be based on Loan Prime Rate and be determined with reference to the interest rate for the same period and same type of lending and other credit services offered to the same type of corporations by the major cooperative commercial bank of Unicom Group and/or offered by Finance Company to its other clients, and will be on normal commercial terms.

43. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

43.1 Connected transactions with Unicom Group and its subsidiaries other than the Group ("Unicom Group and its subsidiaries") (Continued)

(a) Recurring transactions (Continued)

(xii) These transactions are related to the unsecured entrusted loans and related interest expenses from Unicom Group and its subsidiaries (see note 43.1 (c)). 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.90 of the Listing Rules.

(b) Amounts due from Unicom Group and its subsidiaries

Amount due from Unicom Group as at 31 December 2024 included loans from Finance Company to Unicom Group of RMB5,000 million in total with respective floating interest rate of Loan Prime Rate ("LPR") published by the National Interbank Funding Center ("NIFC") (2023: RMB4,600 million in total with respective floating interest rate of LPR published by the NIFC).

(c) Amounts due to Unicom Group and its subsidiaries

Amount due to Unicom Group and its subsidiaries as at 31 December 2024 included a balance of deposits received by Finance Company from Unicom Group and its subsidiaries as well as related interest payable amounting to RMB8,649 million (31 December 2023: RMB7,650 million) with interest rates ranging from 0.42% to 2.75% per annum for saving and deposits of different terms.

Amount due to Unicom Group and its subsidiaries as at 31 December 2024 included unsecured entrusted loans from Unicom Group of RMB 1,206 million (31 December 2023: RMB706 million) with a maturity period of 3 years and unsecured entrusted loans from Unicom Group of RMB221 million (31 December 2023: RMB175 million) with a maturity period of 2 years. Interest rates of these loans are determined by subtracting a floating point from the one-year LPR published by NIFC and are adjusted quarterly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(All amounts in RMB millions unless otherwise stated)

43. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

43.2 Transactions with associates and joint ventures of Unicom Group and its subsidiaries

The Group has entered into transactions with associates and joint ventures of Unicom Group and its subsidiaries based on terms comparable to terms of transactions entered with other entities. In the directors' opinion, these transactions were carried out in the ordinary course of business.

The following transactions with associates and joint ventures of Unicom Group and its subsidiaries constitute continuing connected transactions under the Listing Rules, unless otherwise stated. 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 Report of Directors.

	2024	2023
Transactions with associates and joint ventures of Unicom Group and its subsidiaries:		
Charges for value-added telecommunications services	–	61
Charges for use of telecommunications resources and related services	2	1
Charges for engineering design and construction and IT services	714	521
Charges for materials procurement services	32	12
Charges for ancillary telecommunications services	953	888
Charges for comprehensive support services	241	279
Income from comprehensive support services	38	31

In addition to the above amounts, the Group has also entered into related party transactions with associates and joint ventures of Unicom Group which do not meet the definition of connected person and connected transactions under Chapter 14A of the Listing Rules in 2024. These transactions include:

	2024	2023
Transactions with associates and joint ventures of Unicom Group and its subsidiaries:		
Charges for value-added telecommunications services	–	180
Rental charges for short-term property leasing and related services	10	1
Charges for use of telecommunications resources and related services	3	2
Charges for engineering design and construction and IT services	3,356	2,568
Charges for materials procurement services	42	36
Charges for ancillary telecommunications services	2,555	2,322
Charges for comprehensive support services	876	1,036
Income from comprehensive support services	821	82

43. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

43.3 Material transactions with associates and joint ventures of the Group

The following is a summary of material transactions entered into by the Group with the associates and joint ventures of the Group. In the directors' opinion, these transactions were carried out in the ordinary course of business.

	Notes	2024	2023
Transactions with associates and joint ventures of the Group:			
Revenue from engineering design and construction services	(i)	527	431
Related costs for use of tower assets	(ii)	21,206	20,078
Additions of right-of-use assets	(ii)	3,582	3,254
Revenue from value-added telecommunications services		869	523
Charges for value-added telecommunications services		1,093	657
Charges for materials procurement services		22	12
Net deposits with Finance Company		1	35
Interest expenses on the deposits in Finance Company		1	1

(i) Engineering design and construction services

The Group provided engineering design and construction services to Tower Company.

(ii) Lease of the tower assets and other related services

On 8 July 2016, CUCL and Tower Company entered into a framework agreement to confirm the pricing and related arrangements in relation to the usage of certain telecommunications towers and related assets (the "Agreement"). The Agreement finalised terms including assets categories, pricing basis for usage charges, and relevant service period etc. Provincial service agreements and detailed lease confirmation for specified towers have been signed subsequently.

On 31 January 2018, after further arm's length negotiations and discussions, CUCL and Tower Company agreed on certain supplementary provisions based on the Agreement dated 8 July 2016, which mainly relate to a reduction in cost-plus margin of Tower Company which forms the benchmark for pricing and an increase in co-tenancy discount rates offered to the Group regarding towers under co-sharing arrangements. The new terms applicable to the leased tower portfolio as confirmed by both parties are effective from 1 January 2018 for a period of five years.

On 13 December 2022, the Board of Directors of the Company approved CUCL and Tower Company to sign the commercial pricing agreement and the service agreement, and the material terms of the commercial pricing agreement and the service agreement have been agreed and finalised, in which CUCL leases assets and receives services provided by Tower Company, including tower products, indoor distribution system products, transmission products and service products. The agreements further reduced the products pricing and increased the co-tenancy discount rates offered to the Group. The term of each of the commercial pricing agreement and the service agreement is five years, effective from 1 January 2023 to 31 December 2027.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024
(All amounts in RMB millions unless otherwise stated)

43. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

43.3 Material transactions with associates and joint ventures of the Group (Continued)

(ii) Lease of the tower assets and other related services (Continued)

Based on HKFRS 16, the Group recognised additions of right-of-use assets in 2024 amounting to RMB3,582 million (2023: RMB3,254 million). Related costs for use of tower assets include the depreciation of right-of-use assets of RMB7,923 million (2023: RMB7,470 million), interest expense of RMB1,104 million (2023: RMB1,273 million), and variable lease payments and other related service charges of RMB12,179 million (2023: RMB11,335 million) in the consolidated statement of income for the year ended 31 December 2024.

The outstanding balances with the associates and joint ventures of the Group are summarised as follows:

	Note	31 December 2024	31 December 2023
Amounts due from related parties		418	272
Amounts due to related parties	(iii)	16,572	14,307

(iii) Amounts due to Tower Company

The related accounts payable and bills payable balance (exclude lease liabilities) to Tower Company included in the balance of amounts due to related parties as at 31 December 2024 was RMB15,817 million (31 December 2023: RMB13,794 million). Except as mentioned in Note 43.3(ii), amounts due from/to Tower Company are unsecured, interest-free, repayable on demand/on contract terms with Tower Company as described above.

44. CONTINGENCIES AND COMMITMENTS

44.1 Capital commitments

As at 31 December 2024 and 2023, the Group had capital commitments, mainly in relation to the construction of telecommunications network, as follows:

	2024			2023		
	Land and buildings	Equipment	Total	Land and buildings	Equipment	Total
Authorised and contracted for	4,461	50,314	54,775	3,467	38,508	41,975
Authorised but not contracted for	2,055	8,746	10,801	7,109	28,320	35,429
	6,516	59,060	65,576	10,576	66,828	77,404

44.2 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.

45. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	As at 31 December	
	2024	2023
ASSETS		
Non-current assets		
Equipment	**2**	2
Investments in subsidiaries	**249,773**	237,426
Right-of-use assets	**37**	10
Financial assets measured at fair value	**1,902**	1,783
	251,714	239,221
Current assets		
Amounts due from subsidiaries	**1**	157
Dividend receivable	**16,548**	9,624
Prepayments and other current assets	**227**	234
Loan to a subsidiary	**—**	12,347
Cash and cash equivalents	**630**	371
	17,406	22,733
Total assets	**269,120**	261,954
EQUITY		
Share capital	**254,056**	254,056
Reserves	**(8,684)**	(8,803)
Retained profits		
— Proposed final dividend	**4,779**	4,088
— Others	**18,894**	12,570
Total equity	**269,045**	261,911

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024
(All amounts in RMB millions unless otherwise stated)

45. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION (Continued)

	As at 31 December	
	2024	2023
LIABILITIES		
Non-current liabilities		
Lease liabilities	**22**	—
Other non-current liabilities	**4**	4
	26	4
Current liabilities		
Lease liabilities	**15**	9
Accounts payable and accrued liabilities	**17**	19
Other current liabilities	**17**	11
	49	39
Total liabilities	**75**	43
Total equity and liabilities	**269,120**	261,954
Net current assets	**17,357**	22,694
Total assets less current liabilities	**269,071**	261,915

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 18 March 2025 and signed on behalf of the Board of Directors by:

Chen Zhongyue
Chairman and Chief Executive Officer

Li Yuzhuo
Executive Director and Chief Financial Officer

46. NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

Proposed final dividend

After the date of the statement of financial position, the Board of Directors proposed a final dividend for the year of 2024. For details, please refer to Note 32.

47. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on 18 March 2025.