

FOCUS PLUG AND INNOVATE

Annual Report 2023

China Unicom (Hong Kong) Limited
Stock Code : 762

CONNECTIVITY AND COMMUNICATIONS

Providing high-speed ubiquitous basic connectivity products, cloud-network integrated premium network services, global intelligent network services as well as platform- and scenario-based intelligent connectivity services

Government and enterprise network:
Unicom Cloud resources
covered >230 cities

International network:
660,000 kilometers of
international
submarine cables

No. of mid-band 5G base stations:
>1.21 million

Broadband network:
maintained industry edge in
Northern China, while
foundational capabilities in
Southern China were
markedly boosted





COMPUTING AND DIGITAL SMART APPLICATIONS

Deeply integrating digital technologies to provide information services such as computing, data, application, security, etc.

Unicom Cloud revenue increased by 41.6% year-on-year, reaching RMB 51 billion

Data services revenue growth: 32%

30,000 5G industry application projects covering 71 major categories of the national economy

Cybersecurity revenue growth: 120%

MARKET CONVERGENCE

Leveraging the advantages of “integrated capabilities and operating services”
to tap into both consumer and government-enterprise markets

Mobile subscribers increased by
10.60 million, reaching 333 million

Broadband subscribers increased by
9.79 million, reaching 113 million

Serving >1,000 medical clouds and >800 smart
city districts and counties

No. of 5G virtual private network service
customers: 8,563 (up by 125% year-on-year)



CAPABILITY FUSION

Using digital technologies to transform and upgrade traditional industries to empower cost reduction and efficiency enhancement

No. of patents granted reached
2,287 (up by 37% year-on-year)

Technological innovation personnel ratio: 40%

Accelerated the deployment in the nascent AI industry, and
launched the “Yuanjing” LLM system

Digital Village platform covered >250,000
administrative villages

2

Company Profile

3

Shareholding Structure

4

Performance Highlights

6

Major Events

8

Chairman's Statement

16

Business Overview

20

Financial Overview

CONTENTS

088	Independent Auditor's Report
093	Consolidated Statement of Income
094	Consolidated Statement of Comprehensive Income
095	Consolidated Statement of Financial Position
098	Consolidated Statement of Changes in Equity
099	Consolidated Statement of Cash Flows
102	Notes to the Consolidated Financial Statements
202	Financial Summary
204	Corporate Information
205	Corporate Culture

Forward-looking statements

Certain statements contained in this report may be viewed as "forward-looking statements". Such forward-looking statements are subject to known and unknown risks, uncertainties and other factors, which may cause the actual performance, financial condition or results of operations of the Company to be materially different from any future performance, financial condition or results of operations implied by such forward-looking statements. In addition, we do not intend to update these forward-looking statements. Neither the Company nor the directors, employees or agents of the Company assume any liabilities in the event that any of the forward-looking statements does not materialise or turns out to be incorrect.

26

Recognition and Awards

28

Directors and Senior Management

40

Corporate Governance Report

68

Report of the Directors

86

Human Resources Development

COMPANY PROFILE

China Unicom (Hong Kong) Limited (the “Company”) was incorporated in Hong Kong on 8 February 2000 and was listed on the New York Stock Exchange# and the Stock Exchange of Hong Kong Limited on 21 June 2000 and 22 June 2000 respectively. On 1 June 2001, the Company was included as a constituent stock of the Hang Seng Index. The Company merged with China Netcom Group Corporation (Hong Kong) Limited on 15 October 2008.

China Unicom establishes branches in 31 provinces in China (including autonomous regions and municipalities) and multiple countries and regions overseas. The Company’s telecommunication network and global customer service system covers China and connects to the world. The Company has been one of the “Fortune Global 500” companies for consecutive years, and ranked 267th in “Fortune Global 500” for the year 2023. It was also voted as “Asia’s Most Honored Telecom Company” in 2023 for the eighth consecutive year by Institutional Investor.

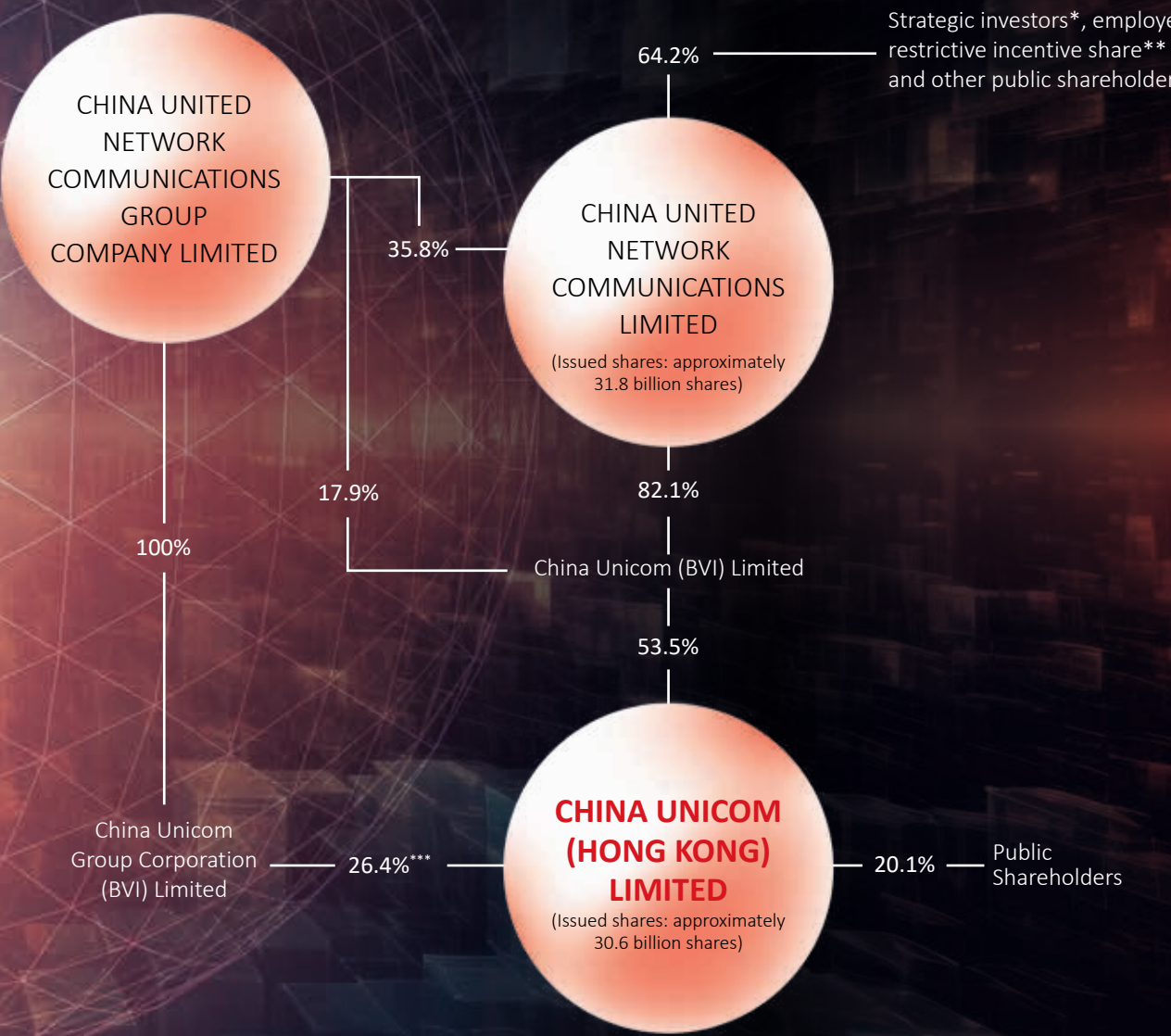
In order to accelerate becoming a world-class technology service enterprise with global competitiveness, the Company steadily promote the two main businesses of Connectivity and Communications (CC) and Computing and Digital Smart Applications (CDSA). It resolutely carries out national missions and holistically builds comprehensive digital information infrastructure with industry-leading coverage, breadth and depth, so as to build an unobstructed information channel and a new digital base for economic and social development. With the goal of establishing “Cyber Superpower and Digital China”, it grasps the direction of digital, network-based and intelligent transformation. Using technologically leading and highly integrated digital services which are “comprehensive in coverage, fully online and cloudified, green and one-stop”, it helps thousands of industries “migrate to the cloud, and use data for intelligent empowerment”. It resolutely implements innovation-driven development, and focuses on core technologies and key applications. Through integrated innovation, it turns itself into a technological innovation enterprise and achieves a high level of independence in digital technologies, becoming an important part of the national strategic technological power.

The Company strives to be the “new engine” that empowers social and economic transformation, fully utilises the advantages of Big Data and communication network technology, and promotes the development of the digital economy and information consumption upgrade, so as to transform the drivers of economic development, enhance customers’ satisfaction and sense of reward in information and communication services, and let the whole society further enjoy the new benefits brought by information and communication development.

Note:

The Company’s ADSs were delisted from the New York Stock Exchange on 18 May 2021. Please refer to the Company’s announcement dated 23 July 2021 for details.

SHAREHOLDING STRUCTURE



* In 2017, approximately 10.9 billion shares of China United Network Communications Limited were acquired by the strategic investors introduced by the mixed ownership reform through non public share issuance and transfer of existing shares. These shares were no longer restricted from sale in November 2020.

** Pursuant to the phase 2 restrictive share incentive scheme in 2023, China United Network Communications Limited granted restricted shares to the core management talents and professional talents.

*** Excluded the interest regarding the pre-emptive right owned by China Unicom Group Corporation (BVI) Limited in 225,722,791 shares of the Company.

PERFORMANCE HIGHLIGHTS

Financial Highlight (RMB billions)	2023	2022	Change YoY
Operating Revenue	372.60	354.94	5.0%
Service Revenue	335.17	319.35	5.0%
Of which: Connectivity and Communications business revenue ¹	244.58	237.25	3.1%
Computing and Digital Smart Applications business revenue ²	75.25	66.66	12.9%
EBITDA ³	99.81	99.17	0.6%
Net Profit ⁴	18.73	16.74	11.8%
Basic EPS (RMB)	0.612	0.547	11.8%
Dividend per share ⁵ (RMB)	0.3366	0.274	22.8%

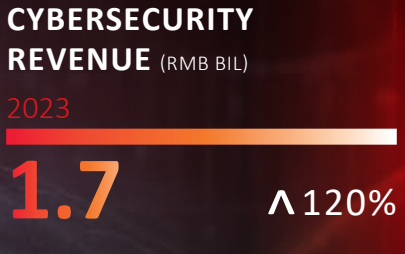
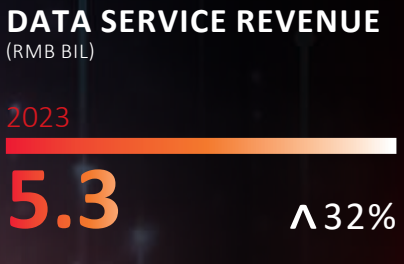
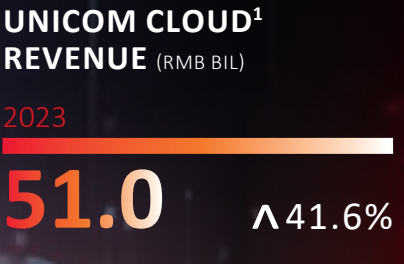
Note 1: Connectivity and Communications business encompasses mobile connectivity, broadband connectivity, TV connectivity, leased line connectivity, communications services as well as information services.

Note 2: Computing and Digital Smart Applications business encompasses Unicom Cloud, data centre, system integration, data services, digital smart applications as well as cybersecurity.

Note 3: EBITDA represents profit for the year before finance costs, interest income, share of net profit of associates, share of net profit of joint ventures, other income-net, income tax expenses, depreciation and amortisation. As the telecommunications business is a capital intensive industry, capital expenditure and finance costs may have a significant impact on the net profit of the companies with similar operating results. Therefore, the Company believes that EBITDA may be helpful in analysing the operating results of a telecommunications service operator like the Company. However, it is a non-GAAP financial measure which does not have a standardised meaning and therefore may not be comparable to similar measures presented by other companies.

Note 4: Net profit represented profit attributable to equity shareholders of the Company.

Note 5: The proposed 2023 final dividend of RMB0.1336 per share is subject to approval by the shareholders at the annual general meeting. Together with the interim dividend of RMB0.203 per share already paid, total dividend for the year is RMB0.3366 per share.



1. Unicom Cloud revenue included revenue of cloud resources, cloud platforms, cloud services, cloud integration, cloud interconnection, cloud security, etc., generated from integrated innovative solutions

MAJOR EVENTS

February 2023

China Unicom released NX307, the world's first universal 5G RedCap commercial module, leading with our innovation and development in the 5G industry.

April 2023

China Unicom joined hands with partners such as Midea Group, Shanghai Automobile City and Huawei to complete the world's first commercial application of 5G RedCap terminals in industrial and Internet of Vehicles scenarios.

May 2023

China Telecom, China Mobile, China Unicom, and China Broadnet jointly announced the official launch of the world's first 5G cross-network roaming commercial trial in Xinjiang.

China Unicom obtained HKEX's approval for the spin-off of SMART Connection Technology.

China Unicom assisted in the completion of the nation's first digital security operation centre in ultra-large cities in Guangzhou.

June 2023

By establishing the second batch of 8 industry forces covering 7 major sectors, China Unicom explored industry application scenarios to empower economic and social development on all fronts and accelerate the construction of Digital China.

August 2023

China Unicom released the "China Unicom Action Plan for the Construction of the Central Hub of the Integration of Smart Computing, Training and Promotion" to build the first integrated hub node of smart computing, training and promotion in the western region in Ningxia, helping to build the western digital valley and China's computing power capital".

September 2023

Unicom Cloud version 7.0 continued to upgrade, achieving a breakthrough in cloud-native single-cluster node scale of over ten thousand, and providing customers with secure and reliable cloud services.

November 2023

China Unicom Smart Cloud Data Centre cum Unicom Cloud International Station Launching Ceremony was convened in Hong Kong, committed to strengthening the international deployment of computing-network resources, contributing to the high-quality co-building of the "Belt and Road" initiative, constructing a high-quality computing-network hub, and enhancing ecological cooperation.

CHAIRMAN'S STATEMENT

Dear Shareholders,

2023 was a year for China Unicom to achieve significant results in high-quality development. In the past year, the Company steadily promoted the implementation of its strategic system, actively coordinated the current operation and long-term development, and focused on both scale growth and value enhancement. It fully assumed the main responsibilities of Cyber Superpower and Digital China development, and focused on the two main businesses of Connectivity and Communications (CC) and Computing and Digital Smart Applications (CDSA). The Company achieved steady progress in business development, rapidly strengthened its fundamental capabilities, continuously amplified its distinctive advantages and deepened innovation and reform, laying a more solid foundation for its long-term development.

CHEN ZHONGYUE

Chairman and
Chief Executive Officer



OVERALL RESULTS

In 2023, the Company made efforts to promote the coordinated development of the two main businesses to achieve effective quality enhancement and reasonable growth in scale. Operating revenue increased steadily to RMB372.6 billion, up 5.0% year-on-year. EBITDA¹ reached RMB99.8 billion. The profit attributable to equity shareholders of the Company reached RMB18.7 billion, representing a year-on-year increase of 11.8%, continuing double-digit growth. Return on equity (ROE) reached 5.4%, the best in recent years.

The Company insisted on network-business coordination and precise investment. With 5G network coverage nearing completion, the Company's investment focus is shifting from stable CC business to high-growth CDSA business. CAPEX was RMB73.9 billion in 2023. Network investment saw an inflection point. The Company comprehensively enhanced its value creation ability, with its free cash flow² growing 8.3% year-on-year to RMB28.5 billion. Its capital structure continued to improve with interest-bearing debts decreasing by 19% to RMB46.4 billion, and its liabilities-to-assets ratio remained within a reasonable range of 46.5%.

The Company is committed to sharing the fruits of its long-term development with shareholders while continuing to promote good growth of revenue and profit and maintaining its sustainable development capability. After due consideration of the Company's robust business development, the Board declared a final dividend of RMB0.1336 per share (pre-tax). Together with the interim dividend of RMB0.203 per share (pre-tax) already paid, the total dividend for the year amounted to RMB0.3366 per share (pre-tax), representing a year-on-year increase of 22.8%, which is significantly higher than the 11.8% growth of basic earnings per share. The cash dividend reached a record high³.

CHAIRMAN'S STATEMENT

WITH EMPHASIS ON BOTH SCALE AND QUALITY, BUSINESS DEVELOPMENT MADE NEW ACHIEVEMENTS

China Unicom fully consolidated its foundation in market development, capability and management, and took advantage of its unique edges to promote technological innovation, product innovation, model innovation and system innovation with greater strength. It improved the circulation of various factors, and promoted high-level opening up and cooperation both internally and externally, unveiling a new paradigm of China Unicom's high-quality development. In 2023, the Company achieved service revenue of RMB335.2 billion, up by 5.0% year-on-year.

Stable growth in Connectivity and Communications provided the foundation for steady operations

The Company continued to deepen business integration, market convergence and capability fusion. New integration is gaining momentum. Mobile, fixed-line broadband and leased line businesses saw steady growth in both scale and value. Innovative value-added services for individuals and households achieved rapid breakthroughs. In 2023, Connectivity and Communications (CC) business, which encompasses mobile connectivity, broadband connectivity, TV connectivity, leased line connectivity, communications services as well as information services, achieved revenue of RMB244.6 billion. It contributed to three quarters of the service revenue of CC and CDSA combined. The Company's connectivity scale further expanded, with the total number of CC subscribers exceeding one billion⁴, representing an increase of about 140 million from the end of 2022.

Within that, for mobile connectivity, the Company strengthened coordination among terminals, network and business development. Driven by 5G upgrade, mobile subscribers demonstrated strong growth. The Company continued to strengthen coordinated development, striking a balance among scale, quality, structure and efficiency. The number of mobile subscribers reached 333 million, with a net addition of 10.60 million in 2023. The net addition increased significantly by 90% year-on-year. Subscriber mix continued to improve, and the penetration rate of 5G package subscribers reached 78%, an increase of 12 percentage points year-on-year. The Company actively seized the development opportunities of universal connectivity. The number of Internet of Things (IoT) connections reached 490 million in 2023, of which "4G + 5G" high-speed connections accounted for over 90%, injecting fresh impetus into the development of mobile connectivity.

For broadband connectivity, the Company continued to build its reputation for gigabit service. The number of fixed-line broadband subscribers reached 113 million, with a net addition of 9.79 million year-on-year. The net addition hit a 10-year high. Subscriber mix improved significantly with the integration penetration of broadband subscribers reaching 76%. The penetration rate of gigabit subscribers reached 22%, an increase of 6 percentage points year-on-year.

For information services, the Company strived to build richer and better innovative products, and deepened the rapid growth of information services for the individual and household markets, bringing brand new experiences of quality upgrade to customers. The Company continued to bolster the “platform + cloud network + applications” development model and constantly enhanced information applications. Information services revenue exceeded RMB10 billion. The number of paying subscribers of Personal Digital and Smart Living and Unicom Smart Home reached 100 million.

Robust growth of Computing and Digital

Smart Applications added to growth momentum for innovation and transformation

The new round of technological revolution and industrial transformation is overwhelming, and the prosperity and vitality of the digital economy have opened up new and bigger room for the development of China Unicom. The Company actively embraced the strategic opportunities brought by the resonance of Chinese-style modernisation and next-generation digital revolution. In 2023, Computing and Digital Smart Applications (CDSA), which encompasses Unicom Cloud, data centre, system integration, data services, digital smart applications and cybersecurity,

achieved revenue of RMB75.2 billion. It accounted for a quarter of the service revenue of CC and CDSA combined, and contributed to more than half of the Company’s incremental service revenue.

For Unicom Cloud⁵, revenue reached RMB51.03 billion in 2023, with year-on-year growth of 41.6%. Leveraging the differentiated edge of computing power and network integration as well as significantly richer computing power resources, the Company sold over a million cores of cloud resources, with a year-on-year growth rate of 186%. Its cloud resources covered over 230 cities. The Company overcame critical technological barriers in cloud server operating systems, databases and cloud disaster recovery, and met customers’ need for scenario-based customisation. It built a series of benchmark cases in the fields of government affairs, healthcare, transportation and education, empowering quality and efficiency enhancement in various industries. The Company made new efforts in technological innovation and ecological co-construction, further enhanced its proprietary R&D capability, and continued to optimise the “virtualised” and “cloud native” dual-engine foundation. It deployed more than 3,300 sets of self-developed operating system CULinux 2.2.



CHAIRMAN'S STATEMENT

For data service, seizing policy opportunities such as “Digital China” construction and the “Data Factor X” Three-Year Action Plan, the Company focused on strengthening the supply of data products and capabilities, empowering holistic digital transformation of the economy and society. Leveraging its centralised platform and cutting-edge Big Data capability, the Company’s data services accounted for over 50% market share for five consecutive years, outperforming in the industry. It always regarded the integrated innovation of Big Data and AI technologies as the core driving force. Twelve of its data management capabilities were named in the “2023 Data Governance Industry Graph 2.0”, ranking first in terms of quantity. Its data processing capacity continued to increase, and the daily amount of data collected doubled year-on-year to 1.2 PB. The Company passed the highest DCMM5 certification with the highest score ever. It comprehensively served the digital transformation of government affairs. It built the No. 1 brand in digital government and developed 15 provincial government affairs Big Data platforms, while the total number of smart city service districts and counties exceeded 800.

For digital and smart applications, the Company accelerated the in-depth integration of the digital economy and the real economy with 5G technology, in order to provide a digital “new engine” for strategic emerging industries and future industries. The scale development of digital and smart applications achieved remarkable results, with a cumulative total of 30,000 5G industry application projects covering 71 major

categories of the national economy, serving more than 8,500 5G private network customers. The Company has formed a leading edge in key sectors such as industrial Internet, digital government, and Internet of vehicles, etc. Its professional and specialised capabilities in digital intelligence continued to strengthen, with 32 self-developed application products generating revenue in excess of RMB100 million. It iteratively upgraded the 5G industry private network PLUS product matrix, developed Gewu Unilink, a cross-industry and cross-profession industrial Internet platform, and launched ten 5G RedCap industry terminals. During Mobile World Congress (MWC) 2024, it won three Global Mobile (GLOMO) Awards, leading the high-quality development of 5G digital and smart applications.

For cybersecurity, the Company focused on network security, data security, information security and other key aspects, and strengthened Big Security strategic business deployment. Based on the “Mogong” platform, the Company developed a new model of “platform + components + services” security operating services. It built China’s first mega-city digital security operation centre for a client, and implemented more than 50 benchmark projects. It promoted open cooperation in the security ecosystem by attracting partners to join the “Security Hub” and build a large-scale, product-rich and accessible security cloud market, supporting cybersecurity revenue to achieve a rapid growth of 120%.

BUILDING A SOLID FOUNDATION FOR SUSTAINABLE DEVELOPMENT BY CONSOLIDATING CAPABILITIES

Network is the foundation of the Company's existence, and innovation is the source of the Company's vibrancy. In recent years, the Company has vigorously promoted the work orientation of strengthening the fundamentals and basics, and has made efforts to build digital information infrastructure as the foundation to help China's digital economy flourish. The Company actively promoted the research on critical core technologies and the construction of a unique capability system, in order to play a bigger role in technological innovation, industrial control and security support. It provided a solid foundation for the Company to forge ahead in its new journey and undertake new missions.

Network capabilities continued to strengthen with precise investment

The Company accelerated the construction of digital information infrastructure in order to consolidate the foundation of its long-term development. The Company had over 1.21 million 5G mid-band base stations and 680,000 900M base stations. Its mobile network coverage continued to strengthen. Its broadband network maintained its industry edge in Northern China, while its foundational capabilities in Southern China were markedly boosted. For government and enterprise network, it provided "hard and soft" high-quality private network services, and continuously expanded coverage scale and multi-cloud connectivity, promoting "cloudification and digital empowerment" for thousands of industries. The Company fully implemented the national Eastern Data

and Western Computing strategy, and actively deployed a new computing power network with advanced architecture, security and reliability and excellent service. Through the "5 + 4 + 31 + X" new IDC deployment, the Company strived to build green, centralised, secure and reliable computing infrastructure. The Company proactively responded to the transformation and upgrade of AI computing power demand, and pushed forward "1+N+X" AI computing planning and deployment. In Eastern regions with developed AI computing industry and Western regions with abundant resources, it undertook tiered deployment and construction. It has constructed over 100G high-speed transmission links among national hubs, reinforcing the optical transport foundation for computing power network. The latency of the Company's public IP backbone network maintained its edge in the industry.

The Company adhered to new development philosophy and pushed forward high-quality 5G development. 220,000 5G mid-band base stations were added and the number of shared 4G base stations exceeded two million. It launched the world's first 5G roaming pre-commercial trial in Xinjiang province with fellow operators to further improve the network resources utilisation efficiency in remote areas. It made good progress in promoting the co-build, co-share and co-maintenance of transmission lines, pipes and optical cables and other infrastructure. The Company took practical actions to echo the "dual carbon" policy, saving operating expenses of about RMB39.0 billion and annual carbon emissions of about 11.50 million tonnes in 2023, and saving cumulative capital expenditure of about RMB340.0 billion.

CHAIRMAN'S STATEMENT

Innovation-driven transformation made a deep and steady stride

The Company actively forged its core capabilities, continued to build a strong engine for technological innovation, focused on promoting industrial innovation with technological innovation, and accelerated the development of new quality productivity. It made greater efforts on talent cultivation, with the ratio of technological innovation personnel reaching 40%. It was granted 2,287 patents during the year, up by 37% year-on-year. The Company enhanced the efficiency of capital operation and strengthened capital cooperation. It set up joint ventures such as Nebula Times Technology Co., Ltd. and China Unicom Digital Intelligence Medical Technology Co. Ltd to further improve its capability in offering professional and specialised digital services.

The Company regards AI as an important strategic field. It accelerated the deployment in this nascent industry by combining China Unicom's advantages in computing network infrastructure, diverse business use cases and extensive customer touch points to build a large language model (LLM) application development paradigm with China Unicom's characteristics. At the recent MWC, the Company launched the "Yuanjing" LLM system, which offered multiple parameter versions according to different functional needs, so as to use LLM to better empower use cases in the real economy. The Company comprehensively improved customer service with AI + Big Data, with relevant achievements successfully shortlisted in "Wu Wenjun Award for Science and Technology in Artificial Intelligence", an authoritative award in the industry.

The Company further accelerated deployment in satellite communications, and actively promoted the industrialisation and systemic development of air-ground integrated communications.

SOCIAL RESPONSIBILITY AND CORPORATE GOVERNANCE

The Company takes care of national interests, spontaneously contributes to national strategies and organically integrates its economic responsibility with social responsibility. In the past year, the Company demonstrated its commitment in environmental, social and corporate governance aspects, and contributed its part to meet the needs of people for better information life and the demand for digital, network-based and intelligent transformation of various industries. The Company continued to build a solid, reliable and secure network, enhance data and information security capabilities, and bolster its collaborative support system, fortifying national cybersecurity defence. Fulfilling the "dual carbon" strategy, the Company actively constructed large data centres which were technologically advanced, green and low-carbon, secure and reliable. The Company endeavoured to build an inclusive and accessible digital society and fully supported rural revitalization. Its Digital Village platform covered the 255,000 administrative villages and served more than 26 million villagers. The Company fully demonstrated its responsibilities. During major events such as communications support, rescue and disaster relief, reform, etc., it performed its missions and successfully completed communications support tasks during rescue and disaster relief. The Company advanced quality enhancement as a listed company. It strengthened communication with the capital market through reverse roadshows and other activities, and actively responded to shareholders' concerns, promoting the mutual improvement of both its intrinsic value and market value.

The Company continued to improve its governance mechanism, providing solid support for sustainable and healthy development. It has received numerous recognitions, including ranking 267th in the Fortune Global 500 for the year 2023, ranking 277th in the Forbes Global 2000, being voted as “Asia’s Most Honored Telecom Company” by Institutional Investor for the eighth consecutive year, and being voted as “Best Overall Company in China — Gold” in “Asia’s Best Managed Companies Poll 2023” organised by FinanceAsia.

OUTLOOK

At present, the trend of digitalisation, intelligent transformation and green development is unstoppable. The new round of technological revolution and industrial transformation has developed rapidly, giving rise to unprecedented new services, new models and new business formats. Under the new landscape, the strategic, fundamental and leading role of the information and communication industry has become more and more prominent. In 2024, the Company is confident in maintaining stable growth in operating revenue and double-digit growth in profit. CAPEX is expected to be within RMB65.0 billion, in which CDSA investment will be appropriately brought forward and its deployment will be strengthened.

The Company will insist on making progress while maintaining stability, deeply implement the five strategies to build a strong enterprise, i.e. via technology, talent, reform, digital and smart transformation, and brand. We will deeply implement nine key action plans in respect of CC, computing network integration, digital and smart applications, internationalisation, Big Data innovation, AI innovation, digital new infrastructure, high-quality services and cybersecurity, in order to accelerate becoming a world-class technology service enterprise with global competitiveness.

Last but not least, on behalf of the Board, I would like to express my sincere gratitude to all shareholders, customers and all sectors of society for their long-term care and support to the Company, and to all employees for their continued efforts and contributions!



Chen Zhongyue

Chairman and Chief Executive Officer

Hong Kong, 19 March 2024

Note 1: EBITDA represents profit for the year before finance costs, interest income, share of net profit of associates, share of net profit of joint ventures, other income — net, income tax expenses, depreciation and amortisation. As the telecommunications business is a capital-intensive industry, capital expenditure and finance costs may have a significant impact on the net profit of the companies with similar operating results. Therefore, the Company believes that EBITDA may be helpful in analysing the operating results of a telecommunications service operator like the Company. However, it is a non-GAAP financial measure which does not have a standardised meaning and therefore may not be comparable to similar measures presented by other companies.

Note 2: Free cash flow represents operating cash flow less capital expenditure. However, it is a non-GAAP financial measure which does not have a standardised meaning and therefore may not be comparable to similar measures presented by other companies.

Note 3: The 2023 final dividend declared will be subject to approval at the Company’s annual general meeting.

Note 4: The total number of CC subscribers as at the end of January 2024.

Note 5: Unicom Cloud revenue represents revenue generated from cloud resources, cloud platform, cloud services, cloud integration, cloud interconnection, cloud security, etc. by integrating innovative solutions.

BUSINESS OVERVIEW

In 2023, China Unicom adhered to the principle of serving the people, focused on the primary task of high-quality development. It continuously deepened business integration, market convergence, and the fusion of capabilities and intelligence. The Company's operation remained stable with progress, and its business revenue maintained rapid growth. The subscriber scale reached a new high in recent years, with 333 million mobile billing subscribers in 2023, and accumulative net addition of 10.60 million. The fixed-line broadband subscriber scale reached 113 million, with accumulative net addition of 9.79 million. China Unicom's brand influence continued to expand. In a brand-building capabilities benchmark against central state-owned enterprises (CSEs), it ranked fourth among them and first in the telecommunications industry.

The stabilising effect of Connectivity and Communications business became more prominent. Firstly, the Company accelerated the promotion of new and existing subscribers to 5G, gigabit, and integrated services. In terms of 5G, the Company continued to promote network-business-access alignment, and accelerated the upgrade to 5G devices for network access and the migration from 3G. Regarding gigabit services, the Company adhered to the drivers of 1000 Mbps broadband and FTTR, aiming to enhance customer perception through high-speed networks, and carried out initiatives such as achieving gigabit benchmarks and enabling gigabit communities. For integrated services, the Company promoted comprehensive integration of scale and value, improving the overall perception of communication services in households, and achieving breakthroughs in scale and value as a whole. **Secondly, the Company continued to enhance the provision of new digital smart living and smart home applications,** reshaping voice services and SMS services, and creating new experiences in communication services. The Company

established product lines that integrated technology innovation, cloud networking, terminal devices, and data, focusing on customer and market needs. In 2023, the Company's cloud computer officially achieved commercialisation, and the information application products like video ringtones, Unicom Cloud Drive, and smart homes generated revenues over RMB10 billion. **Thirdly, the scale of Internet of Things (IoT) business maintained steady growth,** with a total of 490 million IoT connections. Among them, the net addition of 5G connections led the industry. The scale of Cat.1 connections reached 130 million. The Company's market share in Internet of vehicles continued to stay ahead in the industry. **Fourthly, the Company upgraded the 5G "empowerment engine", empowering thousands of industries with intelligence and value.** The Company developed a total of 30,000 commercial 5G application projects, covering 71 major categories of the national economy. The customer scale continued to expand, and the cumulative number of customers served by the virtual 5G industry private networks exceeded 8,500.

BUSINESS OVERVIEW

The development capabilities of Computing and Digital Smart Applications (CDSA) business have been continuously strengthened. Firstly, in terms of computing power services, Unicom Cloud's cloud resource pool experienced rapid growth and accomplished the deployment of "one resource pool per city". In key areas such as government clouds and CSEs' cloudification, the Company newly added over 100 benchmark projects of private clouds. **Secondly, in terms of cloud data centres,** China Unicom achieved leading growth within the IDC industry. **Thirdly, in terms of data services,** the Company's total revenue from Big Data grew rapidly, and its market share maintained industry leading for five consecutive years. The Company's data services capabilities passed DCMM level 5 assessment. Its integration of technologies such as blockchain and homomorphic encryption achieved cross-domain networking and reduced storage by 30%. The performance of the underlying platform has surpassed 20,000 transactions per second (TPS). **Fourthly, in terms of digital smart applications,** regarding IoT, China Unicom launched

the world's first 5G RedCap commercial module. The Company's "Gewu" device management platform is capable of supporting tens of millions of concurrent connections, and its advantages in scenario-based object models have empowered key industry customers in their digital transformation and upgrade, creating benchmark projects in various sectors. Regarding artificial intelligence (AI), China Unicom constructed an independent and innovative AI infrastructure, developing large language models and CDSA products for fields such as government affairs and the economy. These efforts have comprehensively empowered the implementation of over 30 scenario applications such as factories and industrial manufacturing parks. **Fifthly, in terms of cyber information security,** China Unicom relied on the "Mogong" security operation service platform, utilising its capabilities in large-scale network situational awareness to develop an operation service model integrating "Terminal-Network-Cloud-Data-Service". In areas such as digital government and CSEs, China Unicom newly added over 50 new model cases.



The high-quality network capability continuously improved. Firstly, China Unicom took full responsibility for building Cyber Superpower and Digital China, accelerating the construction of a comprehensive intelligent digital infrastructure characterised by high-speed ubiquitous connectivity, integration across space and ground, cloud-network convergence, intelligence and agility, green and low-carbon features, as well as security and controllability. The Company continuously promoted the construction of mobile premium networks, broadband premium networks, and government & enterprise premium networks, establishing a solid CDSA capabilities foundation. The Company focused on enhancing its core competitiveness, sustainable development capacity, and value creation ability, driving the network quality to a new level and further building a solid network foundation for China Unicom's high-quality development. By the end of 2023, there were over 1.21 million 5G mid-band shared base stations, 680,000 900MHz low-band base stations, and over 2.90 million available 4G base stations. The coverage rate of 5G/4G in administrative villages

reached 98%. **Secondly, the Company continuously promoted the coverage of gigabit optical networks,** with over 260 million broadband ports and the proportion of 10GPON ports exceeding 70%. **Thirdly, the Company actively built a multi-level computing power supply.** By combining national Eastern Data and Western Computing strategy, along with China Unicom's "5+4+31+X" computing resource deployment, the Company improved its multi-level architecture. China Unicom's computing centres covered eight major hubs and 31 provinces, with over 400,000 data centre cabinets. The resource deployment of a thousand cabinets was completed in 29 provinces, and over 230 cities were covered by backbone cloud pools. The number of MEC nodes exceeded 600. **Fourthly, The Company continuously improved the international network deployment.** By the end of 2023, the international submarine and land cable resource capacity reached 88T, Internet international interconnection capacity 7.63T and inbound bandwidth 5.59T. International roaming covered 643 operators in 264 countries and regions.



FINANCIAL OVERVIEW

OVERVIEW

In 2023, the Company fully implemented the new development philosophies, fully assumed the two main responsibilities of building a Cyber Superpower and Digital China, and focused on the two main businesses of Connectivity and Communications and Computing and Digital Smart Applications, total revenue was RMB372.60 billion in 2023, up by 5.0% year-on-year. Service revenue reached RMB335.17 billion, up by 5.0% year-on-year. The profit attributable to equity shareholders of the Company was RMB18.73 billion, up by 11.8% year-on-year.

In 2023, the Company's net cash flow from operating activities was RMB102.39 billion. Capital expenditure was RMB73.87 billion. Liabilities-to-assets ratio was 46.5% as at 31 December 2023.

SERVICE REVENUE (RMB BIL)

335.17

REVENUE

In 2023, the Company's revenue was RMB372.60 billion, up by 5.0% year-on-year, of which, service revenue was RMB335.17 billion, up by 5.0% year-on-year due to continuous optimisation of the revenue mix.

The table below sets forth the Company's service revenue of the two main types of business for the years of 2023 and 2022:

(RMB in billions)	2023		2022	
	Total amount	Mix proportion	Total amount	Mix proportion
Connectivity and Communications business revenue	244.58	76.5%	237.25	78.1%
Computing and Digital Smart Applications business revenue	75.25	23.5%	66.66	21.9%

Connectivity and Communications business revenue

In 2023, service revenue from Connectivity and Communications business was RMB244.58 billion, up by 3.1% year-on-year.

Computing and Digital Smart Applications business revenue

In 2023, service revenue from Computing and Digital Smart Applications business was RMB75.25 billion, up by 12.9% year-on-year.

**CONNECTIVITY AND
COMMUNICATIONS
BUSINESS REVENUE**
(RMB BIL)

244.58

**COMPUTING AND DIGITAL
SMART APPLICATIONS
BUSINESS REVENUE**
(RMB BIL)

75.25

FINANCIAL OVERVIEW

OPERATING COSTS

In 2023, total operating costs amounted to RMB357.63 billion, up by 4.4% year-on-year.

The table below sets forth the items of the operating costs and the changes in their respective percentage of the revenue for the years of 2023 and 2022:

(RMB in billions)	2023		2022	
	Total	As a	Total	As a
	amount	percentage	amount	percentage
		of revenue		of revenue
Operating costs	357.63	96.0%	342.60	96.5%
Include: Interconnection charges	11.29	3.0%	10.95	3.1%
Depreciation and amortisation	84.85	22.8%	86.83	24.4%
Network, operation and support expenses	60.03	16.1%	56.42	15.9%
Employee benefit expenses	62.94	16.9%	60.72	17.1%
Include: salaries under employment				
contract	41.28	11.1%	40.85	11.5%
Costs of telecommunications products sold	36.40	9.8%	34.72	9.8%
Selling and marketing expenses	35.83	9.6%	34.46	9.7%
Cost of Computing and Digital Smart				
Applications business ¹	40.08	10.8%	31.79	9.0%
General and administrative expenses ²	5.53	1.5%	5.15	1.5%
Other operating expenses	20.68	5.6%	21.56	6.1%

Interconnection charges

The interconnection charges were RMB11.29 billion in 2023, up by 3.2% year-on-year and, as a percentage of revenue, decreased from 3.1% in 2022 to 3.0% in 2023.

Depreciation and amortisation

Mainly benefiting from the Company's good control of capital expenditure and network "co-build co-share" in recent years, depreciation and amortisation charges were RMB84.85 billion in 2023, down by 2.3% year-on-year and, as a percentage of revenue, decreased from 24.4% in 2022 to 22.8% in 2023.

Network, operation and support expenses

As the Company expanded the scale of the basic network and relevant infrastructure, network, operation and support expenses were RMB60.03 billion in 2023, up by 6.4% year-on-year and, as a percentage of revenue, increased from 15.9% in 2022 to 16.1% in 2023.

Employee benefit expenses

The Company ongoing effort in incentive mechanism reforms, strengthen performance-based compensation and optimised the human resources efficiency, employee benefit expenses were RMB62.94 billion in 2023, up by 3.6% year-on-year and, as a percentage of revenue, decreased from 17.1% in 2022 to 16.9% in 2023.

Cost of telecommunications products sold

Costs of telecommunications products sold were RMB36.40 billion and revenue from sales of telecommunications products were RMB37.43 billion in 2023. Gross profits on sales of telecommunications products was RMB1.03 billion.

Selling and marketing expenses

The Company appropriately increased selling and marketing expenses to enhance market attractiveness, selling and marketing expenses were RMB35.83 billion in 2023, up by 4.0% year-on-year and, as a percentage of revenue, decreased from 9.7% in 2022 to 9.6% in 2023.

Cost of Computing and Digital Smart Applications business¹

The Company seized the growth opportunities of the digital economy and continued to develop the Computing and Digital Smart Applications business, cost of Computing and Digital Smart Applications business were RMB40.08 billion in 2023, up by 26.1% year-on-year and, as a percentage of revenue, increased from 9.0% in 2022 to 10.8% in 2023.

General and administrative expenses²

General and administrative expenses were RMB5.53 billion in 2023, up by 7.3% year-on-year and, as a percentage of revenue was basically the same as 1.5%.

Other operating expenses

Other operating expenses were RMB20.68 billion in 2023, down by 4.1% year-on-year and, as a percentage of revenue, decreased from 6.1% in 2022 to 5.6% in 2023.

FINANCIAL OVERVIEW

EARNINGS

	2023	2022	
(RMB in billions)	Total amount	Total amount	Change
Operating profits	14.97	12.34	21.3%
Net interest income	0.12	0.66	-80.9%
Share of net profit of associates	2.52	2.15	17.0%
Share of net profit of joint ventures	1.80	1.59	13.2%
Other income-net	3.53	3.85	-8.2%
Profit before income tax	22.95	20.59	11.5%
Income tax expenses	4.02	3.75	7.3%
Profit for the year	18.92	16.84	12.4%
Include: the profit attributable to equity shareholders of the Company	18.73	16.74	11.8%

Profit before income tax

In 2023, the Company benefited from continuous enhancement in growth quality and profitability, profit before income tax was RMB22.95 billion, up by 11.5% year-on-year.

Income tax expenses

In 2023, the Company's income tax expenses was RMB4.02 billion and the effective tax rate was 17.5%.

The profit attributable to equity shareholders of the Company

In 2023, the profit attributable to equity shareholders of the Company was RMB18.73 billion, up by 11.8% year-on-year. Basic earnings per share was RMB0.612, up by 11.8% year-on-year.

EBITDA³

In 2023, the Company's EBITDA was RMB99.81 billion, up by 0.6% year-on-year. EBITDA as a percentage of service revenue was 29.8%, down by 1.3 percentage points year-on-year, and the decline of EBITDA as a percentage of service revenue narrowed by 0.1 percentage point year-on-year.

CAPITAL EXPENDITURE AND CASH FLOW

In 2023, capital expenditure of the Company totaled RMB73.87 billion. Investments focus on the main responsibilities and businesses; the scale of investment matches the business growth and cash position.

In 2023, the Company's net cash flow from operating activities was RMB102.39 billion. Free cash flow⁴ was RMB28.52 billion after the deduction of the capital expenditure.

BALANCE SHEET

The Company's total assets increased from RMB642.66 billion as at 31 December 2022 to RMB661.05 billion as at 31 December 2023. Total liabilities increased from RMB299.13 billion as at 31 December 2022 to RMB307.15 billion as at 31 December 2023. The liabilities-to-assets ratio was 46.5% as at 31 December 2023, basically the same as last year. The debt-to-capitalisation ratio decreased from 14.3% as at 31 December 2022 to 11.6% as at 31 December 2023. The net debt-to-capitalisation ratio was -0.3% as at 31 December 2023.

Note 1: Cost of Computing and Digital Smart Applications business excludes the cost of data centre business.

Note 2: General and administrative expenses excludes staff costs and depreciation.

Note 3: EBITDA represents profit for the year before finance costs, interest income, shares of net profit of associates, share of net profit of joint ventures, other income-net, income tax expense, depreciation and amortisation. As the telecommunications business is a capital intensive industry, capital expenditure and finance costs may have a significant impact on the net profit of the companies with similar operating results. Therefore, the Company believes that EBITDA may be helpful in analysing the operating results of a telecommunications service operator like the Company. However, it is a non-GAAP financial measure which does not have a standardised meaning and therefore may not be comparable to similar measures presented by other companies.

Note 4: Free cash flow represents operating cash flow less capital expenditure. However, it is a non-GAAP financial measure which does not have a standardised meaning and therefore may not be comparable to similar measures presented by other companies.

Note 5: Connectivity and Communications business revenue is the sum of relevant amounts in various types of service revenue, including voice usage and monthly fees RMB21.21 billion, broadband and mobile data services RMB154.75 billion, data and internet application services RMB14.39 billion, other value-added services RMB29.19 billion, transmission lines usage and associated services RMB22.67 billion and other services RMB2.37 billion.

Computing and Digital Smart Applications business revenue consists of service revenue related to data and internet application services RMB75.25 billion.

In addition to the above two business revenue, other business service revenue was RMB15.34 billion. Details of the disaggregation of service revenue, please refer to Note 6 of the consolidated financial statements.

RECOGNITION AND AWARDS



For more information, please visit the Company's website at www.chinaunicom.com.hk

DIRECTORS AND SENIOR MANAGEMENT

The background is a dark blue gradient with abstract geometric patterns. A large, semi-transparent red circle is on the left. A network of thin, light blue lines forms a complex, web-like structure on the right. Two thick red curved lines with circular endpoints are also present, one in the upper left and one in the lower right.

CHEN ZHONGYUE

Chairman and Chief Executive Officer

Aged 52, a university graduate with a master's degree in Economics, was appointed in December 2023 as the Chairman and Chief Executive Officer of the Company. Mr. Chen was appointed in February 2021 as an Executive Director of the Company. Mr. Chen served as Deputy General Manager of China Telecom Zhejiang branch, Managing Director of the Public Customers Department of China Telecom, General Manager of China Telecom Shanxi branch, Vice President of China Telecommunications Corporation, Executive Director and Executive Vice President of China Telecom Corporation Limited, General Manager of China United Network Communications Group Company Limited ("Unicom Group"), the President of China United Network Communications Limited ("A Share Company"), the President of China United Network Communications Corporation Limited ("CUCL"), the President of the Company. Mr. Chen is currently the Chairman of Unicom Group, A Share Company and CUCL. Mr. Chen has extensive experience in management and the telecommunications industry.



DIRECTORS AND SENIOR MANAGEMENT



WANG JUNZHI

Executive Director

Aged 59, a postgraduate with a master's degree in Engineering, was appointed in December 2021 as an Executive Director of the Company. Mr. Wang served as Deputy Director General and Director General of the Department of Labor Protection of All-China Federation of Trade Unions ("ACFTU"), Chairman of the National Committee of the Trade Union of the Energy and Chemistry Sector of China, Director General of the Department of Labor and Economic Work of ACFTU, Secretary of the Secretariat of ACFTU, a member of the 15th and 16th Executive Committee of ACFTU as well as a member of the 16th Presidium of ACFTU. Mr. Wang is currently a Director of Unicom Group, a Director of A Share Company as well as a Director of CUCL. Mr. Wang has extensive experience in management.

LIANG BAOJUN

Senior Vice President

Aged 54, a university graduate with a master's degree in Engineering, was appointed in February 2018 as a Senior Vice President of the Company. Mr. Liang served as Deputy General Manager of Beijing Branch of China Telecom Corporation Limited, as well as General Manager of Henan Branch of China Telecommunications Corporation, General Manager of Corporate Informatisation Department, General Manager of Government and Enterprise Customers Department of China Telecommunications Corporation. Mr. Liang also serves as Vice General Manager and the Chief Network Security Officer of Unicom Group, Senior Vice President of A Share Company as well as Director and Senior Vice President of CUCL. Mr. Liang has extensive experience in management and telecommunications industry.



DIRECTORS AND SENIOR MANAGEMENT



HE BIAO

Senior Vice President

Aged 52, a university graduate with a doctorate degree of Business Administration, was appointed in June 2020 as a Senior Vice President of the Company. Mr. He served as Deputy General Manager and General Manager of Guangdong Branch of China Unicom as well as Chairman of China Unicom (Guangdong) Industrial Internet Co., Ltd.. Mr. He also serves as a Vice General Manager of Unicom Group, a Senior Vice President of A Share Company as well as a Director and Senior Vice President of CUCL. Mr. He has extensive experience in management and telecommunications industry.

TANG YONGBO

Senior Vice President

Aged 50, a postgraduate with a master's degree in Business Administration, was appointed in December 2021 as a Senior Vice President of the Company. Mr. Tang served as Deputy General Manager and General Manager of Hunan Branch of China Unicom, General Manager of Marketing Department of Unicom Group. He was a Deputy to the 13th National People's Congress. Mr. Tang is currently a Non-Executive Director of China Tower Corporation Limited (listed on the Hong Kong Stock Exchange), a Non-Executive Director of China Communications Services Corporation Limited (listed on the Hong Kong Stock Exchange), a Non-Executive Director of HKT Limited (HKT Trust and HKT Limited are listed on the Hong Kong Stock Exchange) and HKT Management Limited (the trustee manager of the HKT Trust), a Non-Executive Director and the Deputy Chairman of the Board of PCCW Limited (listed on the Hong Kong Stock Exchange with an American Depositary Receipts trading on OTC Markets Group Inc.), Vice General Manager of Unicom Group, Senior Vice President of A Share Company, Director and Senior Vice President of CUCL, as well as Director of certain member of the Group. Mr. Tang has extensive experience in management and the telecommunications industry.



DIRECTORS AND SENIOR MANAGEMENT



LI YUZHUAO

Executive Director and Chief Financial Officer

Aged 51, a postgraduate with a master's degree in Business Administration, was appointed in February 2022 as an Executive Director and Chief Financial Officer of the Company. Ms. Li served as Director of the Finance Department of China ENFI Engineering Corporation Limited, Vice President of China ENFI Engineering Corporation, Head of the Capital Department and Secretary of the Board of Directors of China Metallurgical Group Corporation (Metallurgical Corporation of China Limited), and Head of the Capital Operation Department of China Minmetals Corporation. Ms. Li is currently Chief Accountant of Unicom Group, Board Secretary and Financial Controller of A Share Company, the Director and the Chief Financial Officer of CUCL, as well as Director of certain member of the Group. Ms. Li has extensive experience in financial investment and capital operation.

CAO XINGXIN

Senior Vice President

Aged 57, a postgraduate with a master's degree in Literature, was appointed in March 2023 as a Senior Vice President of the Company. Mr. Cao served as Deputy Director General of the Bureau of Officials of the CPC Central Committee and State Organs of the Organization Department of the CPC Central Committee (COD), Bureau-level official and Deputy Director of the Office of Civil Servants Administration of COD, Deputy Director General and Bureau-level official at level 1 of the (Third) Bureau of Civil Servants of COD, Deputy Head (Bureau Chief level) of the National Institute for Party Leadership of COD. Mr. Cao is currently Vice General Manager and General Counsel of Unicom Group, Senior Vice President and General Counsel of A Share Company as well as Director, Senior Vice President and General Counsel of CUCL. Mr. Cao has extensive experience in management.



DIRECTORS AND SENIOR MANAGEMENT



CHEUNG WING LAM LINUS

Independent Non-Executive Director

Aged 75, was appointed in May 2004 as an Independent Non-Executive Director of the Company. Mr. Cheung is an Independent Non-Executive Director of HKR International Limited (listed on the Hong Kong Stock Exchange). Mr. Cheung was a member of the University of Hong Kong Council, Chairman of the University of Hong Kong School of Professional and Continuing Education, Chairman of Asia Television Limited, Deputy Chairman of PCCW Limited, Independent Non-Executive Directors of Taikang Life Insurance Company Limited and Sotheby's, as well as President of the Chartered Institute of Marketing (Hong Kong Region). Prior to the merger of Pacific Century Cyberworks Limited and Hong Kong Telecom Limited, Mr. Cheung was the Chief Executive of Hong Kong Telecom Limited and an Executive Director of Cable & Wireless plc in the United Kingdom. Mr. Cheung worked at Cathay Pacific Airways for 23 years, leaving as Deputy Managing Director. He was appointed an Official Justice of the Peace in 1990 and a Non-official Justice of the Peace in 1992. Mr. Cheung received a bachelor's degree in social sciences and a diploma in management studies from the University of Hong Kong. He is also an Honorary Fellow of the University of Hong Kong and of The Chartered Institute of Marketing in the United Kingdom.

WONG WAI MING

Independent Non-Executive Director

Aged 66, was appointed in January 2006 as an Independent Non-Executive Director of the Company. Mr. Wong is Executive Vice President and Chief Financial Officer of Lenovo Group Limited (listed on the Hong Kong Stock Exchange). Mr. Wong was previously an investment banker with over 15 years of experience in investment banking business in Greater China and was a member of the Listing Committee of The Stock Exchange of Hong Kong Limited. Mr. Wong is a chartered accountant and holds a bachelor's degree (with Honors) in management science from the Victoria University of Manchester in the United Kingdom.



DIRECTORS AND SENIOR MANAGEMENT



CHUNG SHUI MING TIMPSON

Independent Non-Executive Director

Aged 72, was appointed in October 2008 as an Independent Non-Executive Director of the Company. Mr. Chung is the Pro-Chancellor of the City University of Hong Kong. Besides, Mr. Chung is an Independent Non Executive Director of The Miramar Hotel and Investment Company, Limited, China Overseas Grand Oceans Group Limited, China Everbright Limited, China Railway Group Limited, Orient Overseas (International) Limited and Postal Savings Bank of China Co., Limited (all listed on the Hong Kong Stock Exchange). From October 2004 to October 2008, Mr. Chung served as an Independent Non-Executive Director of China Netcom Group Corporation (Hong Kong) Limited. Formerly, he was the Chairman of China Business of Jardine Fleming Holdings Limited and the Deputy Chief Executive Officer of BOC International Limited. He was also the Director-General of Democratic Alliance for the Betterment and Progress of Hong Kong, the Chairman of the Advisory Committee on Arts Development, the Chairman of the Council of the City University of Hong Kong, the Chairman of the Hong Kong Housing Society, a member of the Executive Council of the Hong Kong Special Administrative Region, the Vice Chairman of the Land Fund Advisory Committee of Hong Kong Special Administrative Region Government, a member of the Managing Board of the Kowloon-Canton Railway Corporation, a member of the Hong Kong Housing Authority, a member of the Disaster Relief Fund Advisory Committee, a member of the National Committee of the 10th to 13th Chinese People's Political Consultative Conference, an Independent Non-Executive Director of Henderson Land Development Company Limited, Nine Dragons Paper (Holdings) Limited, China Construction Bank Corporation, Jinmao Hotel and Jinmao (China) Hotel Investments and Management Limited and Glorious Sun Enterprises Limited, an Independent Director of China Everbright Bank Company Limited and China State Construction Eng. Corp. Ltd. and an Outside Director of China Mobile Communications Corporation and China COSCO Shipping Corporation Limited. Mr. Chung holds a bachelor of science degree from the University of Hong Kong and a master's degree in business administration from the Chinese University of Hong Kong. Mr. Chung also received an honorary doctoral degree in Social Science from the City University of Hong Kong in 2010. Mr. Chung is a fellow member of the Hong Kong Institute of Certified Public Accountants.

LAW FAN CHIU FUN FANNY

Independent Non-Executive Director

Aged 71, was appointed in November 2012 as an Independent Non-Executive Director of the Company. Mrs. Law is currently a Director of the Fan Family Trust Fund and the Honorary Principal of Ningbo Huizhen Academy. Besides, Mrs. Law is an Independent Non-Executive Director of Nameson Holdings Limited, Minmetals Land Limited, China Taiping Insurance Holdings Company Limited and New World Development Company Limited (all listed on the Hong Kong Stock Exchange). Mrs. Law served as a Member of the Executive Council of the Government of the Hong Kong Special Administrative Region ("HKSAR"), a Deputy of HKSAR to the National People's Congress of the People's Republic of China, Chairman of the Board of Directors of Hong Kong Science and Technology Parks Corporation, an Independent Non-Executive Director of DTXS Silk Road Investment Holdings Company Limited and CLP Holdings Limited and an External Director of China Resources (Holdings) Co., Limited. Prior to her retirement from the civil service in 2007, Mrs. Law was the Commissioner of the Hong Kong Independent Commission Against Corruption. During her 30 years as an Administrative Officer, Mrs. Law has worked in many fields, including medical and health, economic services, housing, land and planning, home affairs, social welfare, civil service, transport and education. Mrs. Law graduated from the University of Hong Kong with an Honours degree in Science, and in 2009 was named an outstanding alumnus of the Science Faculty of the University of Hong Kong. She received a Master degree in Public Administration from Harvard University and was named a Littauer Fellow of Harvard University. She also holds a Master degree in Education from the Chinese University of Hong Kong and is a Fellow of The Hong Kong Institute of Directors.





CORPORATE GOVERNANCE REPORT

The Board believes that a healthy corporate culture is the core of good corporate governance. China Unicom persistently enhances the development of corporate culture, and insists on strengthen and solidify, preserve and innovate, and integrate and open, deeply implements the strategies to build a strong enterprise, i.e. via technology, talent, reform, digital and smart transformation, and brand, in order to accelerate becoming a world-class technology service enterprise with global competitiveness. China Unicom plays the role of the leading contributor of digital information operation and services and the pioneer of digital technology integration and innovation. It nurtures an excellent corporate culture and consistently promotes the core values of "Customer-oriented, Employee-friendly, Attentive to quality service, Inherently innovative, Proud of endeavours, Adhering to integrity". It also adheres to the corporate style of "Rigorous, Pragmatic, Skillful, Meticulous, Efficient". The management philosophy of "Create value for customers, Dually driven by market and innovation, One China Unicom with integrated capabilities and operating services" has been established. The penetration and integration of China Unicom's corporate culture philosophy into production and operation, integrating the corporate culture into the entire process of production, operation and management, which help enhancing and improving the operational effectiveness and management efficiency while ensuring the ideal corporate culture has been reflected in the company's strategies, business models and operating practices.

The Board is committed to high standards of corporate governance and recognises that good governance is vital for the long-term success and sustainability of the Company's business. The Board will persistently enhance the corporate governance of the Company by promoting corporate culture philosophy and core values at all levels of the Company. We hope all our executives, management and employees would implement the practice and integrate "integrity and self-discipline, uphold integrity and anti-corruption" into the ideological foundation to serve as the basic code of conduct for practitioners, while complying with laws and regulations, operates in compliance with regulations and be honest and self-disciplined. And adhering to the ethical concept and code of conduct of honesty, trustworthiness and due diligence, and strive to maximize the interests of customers, shareholders, employees and society. The scope of the relevant basic code of conduct covers matters related to legislation, regulation and ethics, including but not limited to principles of honesty and trustworthiness, conflict of interest, handling of stakeholder relations, information disclosure and confidentiality, protection of company assets, reporting and punishment. As a company incorporated in Hong Kong, the Company adopts the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the Securities and Futures Ordinance of Hong Kong and other related laws and regulations as the basic guidelines for the Company's corporate governance. As a company listed in Hong Kong, the current articles of association are in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. These rules serve as guidance for the Company to improve the foundation of its corporate governance, and the Company strives to comply with the relevant requirements of international and local corporate governance best practices. The Company has regularly published statements relating to its risk management and internal control in accordance with relevant regulatory requirement to confirm its compliance with related risk management and corporate internal control requirements and other regulatory requirements. The Board is responsible for

performing overall corporate governance duties. The Company has adopted a Corporate Governance Practice which sets out the key terms of reference of the Board on corporate governance functions, including, amongst others, developing and reviewing the Corporate Governance Policy and corporate governance practices of the Company; reviewing and monitoring the training and continuous professional development of Directors and senior management; reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; developing, reviewing and monitoring the code of conduct and compliance manual applicable to employees and Directors; and reviewing the Company's compliance with the Corporate Governance Code and the disclosure in "Corporate Governance Report".

In 2023, the Company's continuous efforts in corporate governance gained wide recognition from the capital markets and the Company was accredited with a number of awards. The Company was voted as "Asia's Most Honored Telecom Company" for eight years in a row in "2023 All-Asia Executive Team" ranking organised by the authoritative financial magazine, Institutional Investor. Meanwhile, the Company was also honored with "Asia's Best Board (Telecoms)" and "Asia's Best IR Team (Telecoms)". The Company was voted as "Best Overall Company in China — Gold" in "Asia's Best Managed Companies Poll 2023" organised by FinanceAsia, an authoritative financial magazine. The Company was awarded "Asia's Best CSR" by Corporate Governance Asia. The Company was accredited with "Platinum Award — Excellence in Environmental, Social, and Governance" in "The Asset ESG Corporate Awards 2023". The Company was awarded "ESG Leading Enterprise" in "ESG Leading Enterprise 2023" by Bloomberg Businessweek and Deloitte.

Part 2 of the Corporate Governance Code as set out in Appendix C1 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") (the "Listing Rules") provides for code provisions (the "Code Provisions") and

CORPORATE GOVERNANCE REPORT

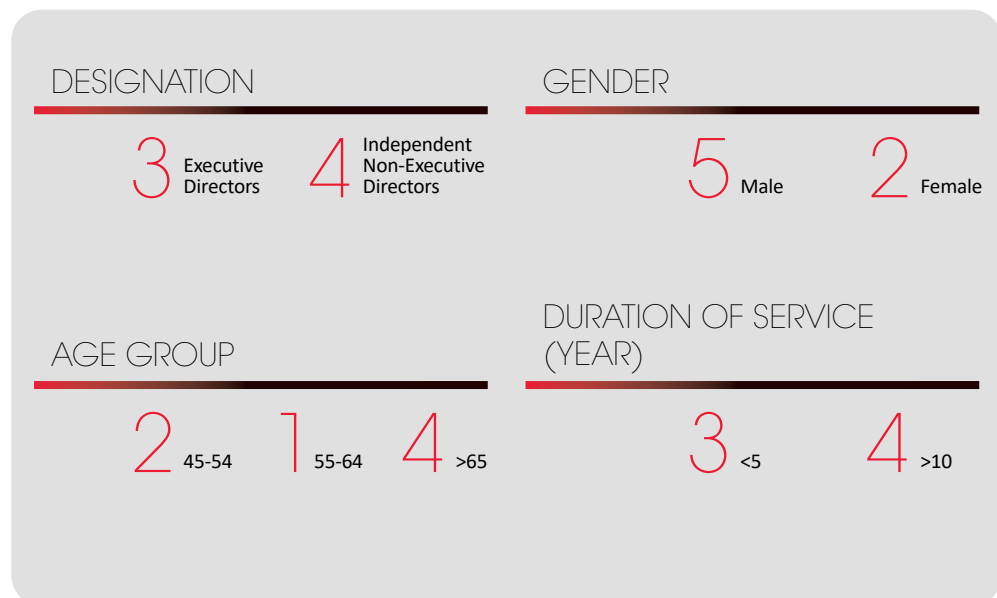
recommended best practices with respect to (i) corporate purpose, strategy and governance, (ii) board composition and nomination, (iii) directors' responsibilities, delegation and board proceedings, (iv) audit, internal control and risk management, (v) remuneration and (vi) shareholders engagement. Other than the disclosures made in the section headed "Board of Directors" below, the Company confirms that for the year ended 31 December 2023, it complied with all the Code Provisions.

BOARD OF DIRECTORS

To serve the best interests of the Company and its shareholders, the Board is responsible for reviewing and approving major corporate matters, including, amongst others, business strategies and budgets, major investments, capital market operations, as well as mergers and acquisitions. The Board is also responsible for monitoring risk management and internal control, reviewing environmental, social and governance strategies, reviewing and approving the announcements periodically published by the Company regarding its business results and operating activities. There is no financial, business, family or other material/relevant relationship(s) between the Board members.

In order to achieve a sustainable and balanced development, the Company views Board diversity as a key element for supporting its strategic goals and maintaining sustainable development. The Board membership maintains wide representation. Members of the Board consist of outstanding individuals from different professions. Currently, the Board comprises seven Directors, including three executive Directors and four independent non-executive Directors. Particulars of the Directors are set out on pages 28 to 39 of this annual report. The Company believes that the Board currently comprises experts from diversified professions such as telecommunications, technology, banking, finance, investment and management, and is diversified in terms of gender, age, duration of service, educational background, professional experience, etc., which contributes to the enhanced management standard and more regulated operation of corporate governance of the Company, and results in a more comprehensive and balanced Board structure and decision-making process.

The below sets out the analysis of the current composition of the Board:



The roles and responsibilities of the Chairman and the Chief Executive Officer of the Company were performed by the same individual for the year ended 31 December 2023. The Company considers that, as all major decisions are made by the Board and relevant Board Committees after discussion, through supervision by the Board and the independent non-executive Directors together with effective internal control mechanism, the Company has achieved a balance of power and authority. In addition, the same individual performing the roles of the Chairman and the Chief Executive Officer can enhance the Company's efficiency in decision-making and execution, effectively capturing business opportunities.

For the year ended 31 December 2023, the Company had 4 independent non-executive Directors representing over one-third of the Board with 2 independent non-executive Director possessing appropriate professional accounting or related financial management expertise as required under Rule 3.10 of the Listing Rules. All independent non-executive Directors of the Company possess good knowledge and experience in different areas. The Company has established various channels for independent non-executive Directors to express their views in an open and honest manner and, if necessary, in a confidential manner. The independent non-executive Directors have been making positive contributions to the development of the Company's strategies and policies through independent, constructive and informed advice. Apart from the regular Board meeting, the Chairman meets annually with independent non-executive Directors, without the presence of other Directors, which further promotes the exchange of diversified views and opinions. Independent non-executive Directors have maintained close contact with the management and actively express constructive opinions on matters relating to corporate governance, operation management, risk prevention and the capital market at board meetings. These views and opinions facilitate the Board in making their decisions in the shareholders' best interests. All independent non-executive Directors, except for their equity interests and remuneration

disclosed in this annual report, do not have any business with or financial interests in the Company, its holding company or subsidiaries, and have confirmed their independence to the Company upon appointment and annually. The Company considers that all independent non-executive Directors are currently independent. Such mechanisms enable independent views and inputs are available to the Board in an effective way, and the Board will review the implementation and effectiveness of such mechanisms on an annual basis. The functions of non-executive Directors include, amongst other things, attending board meetings, exercising independent judgements at meetings, playing a leading role in resolving any potential conflicts of interest, serving on committees by invitation and carefully examining whether the performance of the Company has reached the planned corporate targets and objectives, and monitoring and reporting on matters relating to the performance of the Company. With respect to the nomination and appointment of new directors and senior management members and the succession planning for Directors, the Nomination Committee would, after considering the Company's need for new directors and/or senior management members, identify a wide range of candidates from within the Company and the human resources market and make recommendations to the Board. The Nomination Committee will consider candidates on merit against objective criteria and with due regard to the benefits of diversity on the Board, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and duration of service. After having obtained the consent from candidates in relation to the relevant nomination and based on the Company's actual needs, the Board would convene a meeting, attendees of which include non-executive Directors, to consider the qualifications of the candidates. The Directors of the Company (including non-executive Directors) are not appointed for a specific term. However, pursuant to the Company's articles of association, one-third of the directors shall retire from office by rotation and shall be eligible for re-election at each annual general meeting.

CORPORATE GOVERNANCE REPORT

Every newly appointed Director is provided with a comprehensive, formal and tailored induction on appointment, including but not limited to the “Guidelines on Directors’ Duties” published by the Hong Kong Companies Registry and the “Guidelines for Directors” published by the Hong Kong Institute of Directors. Directors have fiduciary responsibilities to the Company. They must not exercise their powers for improper purposes. They must not use the Company’s opportunities to serve their own interests. Their personal interests are not allowed to conflict with the Company’s interests, and they must not abuse the Company’s assets. The Director would subsequently receive all briefing and professional development necessary to ensure that he/she has proper understanding of the Company’s operations and businesses, full understanding of his/her responsibilities under the statutes, the common law, the Listing Rules, applicable legal and regulatory requirements, and the Company’s business and corporate governance policies. Furthermore, formal letters of appointment setting out the key terms and conditions of the Directors’ appointment will be duly prepared.

Directors’ training is an ongoing process. The Company regularly invites various professionals to provide trainings on the latest changes and development of the legal and regulatory requirements as well as the market and/or industrial environment to Directors. In 2023, the Directors as at 31 December 2023 have participated in various training and continuous professional development activities and the summary of which is as follows:

	Types of training
Executive Director	
Chen Zhongyue (<i>Chairman</i>)	A, B
Wang Junzhi	A, B
Li Yuzhuo	A, B
Independent Non-Executive Director	
Cheung Wing Lam Linus	A, B
Wong Wai Ming	A, B
Chung Shui Ming Timpson	A, B
Law Fan Chiu Fun Fanny	A, B

A: attending relevant seminars and/or conferences and/or forums; delivering speeches at relevant seminars and/or conferences and/or forums

B: reading or writing relevant newspapers, journals and articles relating to general economy, general business, telecommunications, corporate governance, business ethics or directors’ duties

The Company has determined remuneration policy. The proposed remuneration package of Directors of the Company will be determined by the Remuneration Committee, subject to approval by the Board and in compliance with applicable laws, regulations and policies, and taking into account the responsibilities of such person in the Company, his experience and performance as well as the prevailing market conditions. The remuneration package for executive Directors includes salary and performance-linked annual bonuses. The remuneration of executive Directors is determined by reference to their respective duties and responsibilities in the Company, their respective experience, prevailing market conditions and applicable regulatory requirements while the award of the performance-linked annual bonuses is tied to the attainment of key performance indicators or targets set by the Company. The remuneration of non-executive Directors is determined by reference to prevailing market conditions and their respective responsibilities and workload from serving as non-executive Directors and members of the board committees of the Company. The Company also adopted share option scheme for the purpose of providing long term incentives to eligible participants, including Directors (details of such share option scheme are set out in the paragraph headed "Share Scheme of the Company" on pages 70 to 71 of this annual report). The remuneration for each Director and the remuneration of senior management by band are disclosed on pages 144 to 146 of this annual report. In addition to the remuneration, the Company has arranged appropriate insurance coverage in respect of legal action against the Directors.

The Board has provided clear guidelines for delegation of powers and responsibilities to management. However, certain important matters must be decided only by the Board, including, but not limited to, long-term objectives and strategies, annual budget, initial announcements on quarterly, interim and final results,

dividends, major investments, equity-related capital market operations, mergers and acquisitions, major connected transactions and annual internal control evaluation. The arrangements on delegation of powers and responsibilities to management are reviewed by the Board periodically to ensure that they remain appropriate to the needs of the Company.

The Board convenes meetings regularly and all Directors have adequate opportunity to be present at the meetings and to include matters for discussion in the meeting agenda. Notices of regular board meetings are delivered to the Directors at least 14 days in advance of the meetings. The Company delivers, on a best endeavor basis, all documents for regular board meetings to the Directors for review at least one week prior to the meetings (and ensures that all documents are delivered to the Directors no less than three days prior to the regular meetings as required by the Code Provisions).

The Company Secretary, being an employee of the Company, has day-to-day knowledge of the Company's affairs and reports to the Chairman of the Board. The Company Secretary keeps close contact with all Directors and ensures that the operation of the Board and all board committees is in compliance with the procedures as set forth in the Company's articles of association and the charters of the board committees. Additionally, the Company Secretary is responsible for compiling and regularly submitting draft minutes of board meetings and committee meetings to the Directors and committee members for their review and comments, and final versions of minutes for their records, within a reasonable time after the relevant meetings. Each Director may obtain advice from and the services of the Company Secretary to ensure that board procedures, and all applicable rules and regulations, are followed.

CORPORATE GOVERNANCE REPORT

Physical board meetings will be held for the selection, appointment or dismissal of the Company Secretary. To ensure the possession of up-to-date knowledge and market information to perform her duties, the Company Secretary attended over 15 hours of professional training in 2023.

The Directors may, upon request, obtain independent professional advice at the expense of the Company. In addition, if any substantial shareholder of the Company or any Directors has significant conflicts of interest in a matter to be resolved, the Board will convene a board meeting in respect of such matter and those Directors who have conflicts of interest must abstain from voting and will not be counted in the quorum of the meeting.

All Directors are required to devote sufficient time and attention to the affairs of the Company. A culture of openness and debate are promoted in the Board and the Directors are encouraged to express their views and concerns. The Company provides monthly operating update to the Directors, so as to ensure the Directors are familiar with the Company's latest operations. In addition, through regular board meetings and reports from management, the Directors are able to clearly understand the operations, business strategy and latest development of the Company and the industry. Besides formal board meetings, the Chairman also meets

annually with independent non-executive Directors, without the presence of other Directors, which further promotes the exchange of diversified views and opinions. In order to ensure that all Directors have appropriate knowledge of the matters discussed at the meetings, adequate, accurate, clear, complete and reliable information regarding those matters is provided in advance and in a timely manner, and all Directors have the right to inspect documents and information in relation to matters to be decided by the Board. The Directors have frequently visited various branches in Mainland China to gain better understanding of the Company's daily operations. In addition, the Company has arranged relevant trainings for the Directors (which include training sessions conducted by professional advisers, such as lawyers and accountants, from time to time) in order to broaden their knowledge in the relevant areas and to improve their understanding of the Company's business, legal and regulatory requirements and the latest operational technologies. The Board also conducts annual evaluation of its performance. Such efforts have improved the corporate governance of the Company.

In 2023, the Board held four board meetings and passed one written resolution for, amongst other things, discussion and approval of important matters such as the 2022 annual results, the 2023 annual budget, the

2023 interim results, the first and the first three quarters results for 2023, sustainability report, reports on risk management and internal control, amendment of the articles of association, and the amendment of the remuneration committee charter, appointment of chairman and chief executive officer, appointment of senior vice president.

Set forth below is an overview of the attendance during the year of 2023 by the Board members at various meetings:

	Meetings Attended/Held During Each Director's Tenure				
	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Shareholders Meeting
Executive Directors					
Chen Zhongyue (<i>Chairman</i>) ¹	4/4	N/A	N/A	N/A	0/1
Liu Liehong ²	2/2	N/A	N/A	1/1	1/1
Wang Junzhi	3/4	N/A	N/A	N/A	0/1
Li Yuzhuo	3/4	N/A	N/A	N/A	1/1
Independent Non-Executive Directors					
Cheung Wing Lam Linus	4/4	4/4	1/1	N/A	1/1
Wong Wai Ming	3/4	3/4	0/1	N/A	1/1
Chung Shui Ming Timpson	4/4	4/4	1/1	1/1	1/1
Law Fan Chiu Fun Fanny	4/4	4/4	N/A	1/1	1/1

Note 1: On 2 December 2023, Mr. Chen Zhongyue was appointed as the Chairman and Chief Executive Officer of the Company and has ceased to serve concurrently as the President of the Company.

Note 2: On 30 July 2023, Mr. Liu Liehong resigned as executive Director of the Company and ceased to serve as the Chairman and Chief Executive Director of the Company.

Note 3: Certain Directors (including non-executive Director) did not attend the shareholders meeting and meetings of the Board and Committees due to other business commitments or being overseas.

In 2023, the Board performed their fiduciary duties and devoted sufficient time and attention to the affairs of the Company. The Board works effectively and performs its responsibilities efficiently with all key and appropriate issues being discussed and approved in a timely manner.

CORPORATE GOVERNANCE REPORT

The Company has adopted the “Model Code for Securities Transactions by Directors of Listed Issuers” as set out in Appendix C3 to the Listing Rules (the “Model Code”) to govern securities transactions by directors. Further to the specific enquiries made by the Company to the Directors, all Directors have confirmed their compliance with the Model Code for the year ended 31 December 2023.

The Directors acknowledge their responsibilities for preparing the financial statements for the year ended 31 December 2023, which give a true and fair view of the financial position of the Company as at the statement of financial position date and financial performance and cash flows of the Company for the year ended the statement of financial position date, are properly prepared on the going concern basis in accordance with relevant statutory requirements and applicable financial reporting standards. A statement of the independent auditors about their reporting responsibilities related to the financial statements is set out in the independent auditor’s report on pages 88 to 92 of this annual report.

COMMITTEES UNDER THE BOARD

The Company has established three committees of the Board under the Board, the Audit Committee, the Remuneration Committee and the Nomination Committee. Each committee has a written charter, which is available on the websites of the Company and The Stock Exchange of Hong Kong Limited. From time to time as required by the Listing Rules, the Board also establishes independent board committee for the purpose of advising and providing voting recommendations to independent shareholders on connected transactions and transactions subject to independent shareholders’ approval entered into by the Company and/or its subsidiaries. The committees are provided with sufficient resources, including, amongst others, obtaining independent professional advice at the expense of the Company, to perform their duties. The committees report their decisions or recommendations to the Board after meetings.

Audit Committee Composition

Currently the Audit Committee comprised Mr. Wong Wai Ming, Mr. Cheung Wing Lam Linus, Mr. Chung Shui Ming Timpson and Mrs. Law Fan Chiu Fun Fanny, all being independent non-executive Directors of the Company. The Chairman of the Audit Committee is Mr. Wong Wai Ming. All members of the Audit Committee have satisfied the “independence” requirements in relation to an Audit Committee member under applicable laws, regulations and rules. The Chairman of the Audit Committee is an accountant with expertise and experience in accounting and financial management. Another member of the Audit Committee is also an accountant with extensive accounting professional experience.

Major Responsibilities

The primary responsibilities of the Audit Committee include: as the key representative body, overseeing the Company’s relationship with the independent auditor, considering and approving the appointment, resignation and removal of the independent auditor; pre-approval of services and fees to be provided by the independent auditor based on the established pre-approval framework; supervising the independent auditor and determining the potential impact of non-audit services on such auditor’s independence; reviewing quarterly and interim financial information as well as annual financial statements; coordinating and discussing with the independent auditor with respect to any issues identified and recommendations made during the audits; reviewing correspondences from the independent auditor to the management and responses of the management; discussing the risk management and internal control system with the management as well as reviewing the reports on the risk management and internal control procedures of the Company. The Audit Committee set up a whistle-blowing system to receive and handle cases of complaints regarding the Company’s financial reporting, internal control or other matters. The whistle-blowers can use, in confidence and anonymity, to raise concerns about possible

improprieties in any matter related to the Company through whistle-blowing channels. Any complaints on the aforementioned subject matters can be submitted by post (No. 21 Financial Street, Xicheng District, Beijing, 100033, China) or by phone (86-(010) 88091674). The Audit Committee is responsible to and regularly reports its work to the Board.

Work Completed in 2023

The Audit Committee meets the Board and management as well as independent auditor at least four times each year, and assists the Board in its review of the financial statements to ensure effective risk management and internal control as well as efficient audit. Besides, the Audit Committee meets the independent auditor at least two times each year, without the presence of other Directors and management.

The Audit Committee held four meetings in 2023 for, amongst other things, discussion and approval of the 2022 annual results, the 2023 interim results, and the first and the first three quarters results for 2023. In addition, the Audit Committee approved in the meetings the sustainability report, the report of the work of sustainability, the report on risk management, the report on internal audit and internal control, the report on continuing connected transaction, the appointment, the audit fees and the audit plans of the independent auditor as well as the non-audit services provided by the independent auditor in 2023.

The Audit Committee has performed its duties effectively, and enabled the Board to better monitor the financial condition of the Company, supervise the risk management and internal control (included but not limited to operational, financial, compliance, environmental, social and governance) of the Company, ensure the integrity and reliability of the financial statements of the Company, prevent significant errors in

the financial statements and ensure the Company's compliance with the relevant requirements of the Listing Rules with respect to audit committee.

Remuneration Committee Composition

Currently the Remuneration Committee comprised Mr. Cheung Wing Lam Linus, Mr. Wong Wai Ming and Mr. Chung Shui Ming Timpson, all being independent non-executive Directors of the Company. The Chairman of the Remuneration Committee is Mr. Cheung Wing Lam Linus.

Major Responsibilities

The primary responsibilities of the Remuneration Committee include: making recommendations to the Board on the policies and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy; reviewing and approving the management's remuneration proposals with reference to the corporate goals and objectives set by the Board; making recommendations to the Board on the remuneration packages of individual executive Directors and senior management (including benefits in kind, pension right and compensation payments, including any compensation payable for loss or termination of their office or appointment); making recommendations to the Board on the remuneration of non-executive Directors; consulting the Chairman about the remuneration proposals for other executive Directors; considering salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group; considering any concrete plan proposed by the management of the Company for the grant of share which has not been granted, and any plan to amend any existing share scheme of the Company; reviewing and approving compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with

CORPORATE GOVERNANCE REPORT

contractual terms; reviewing and approving compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms; and ensuring that no Director or any of his/her associates is involved in deciding his/her own remuneration.

Work Completed in 2023

The Remuneration Committee meets at least once a year. The Remuneration Committee held one meeting in 2023 for, amongst other things, discussion and approval of proposal for appraisal and remuneration of senior management, the amendment of remuneration committee charter.

The Remuneration Committee has performed its duties effectively on reviewing and approving the proposal of appraisal of senior management, as well as making recommendations to the Board with regards to the remuneration packages for senior management.

Nomination Committee Composition

Currently the Nomination Committee comprised Mr. Chung Shui Ming Timpson, Mr. Chen Zhongyue and Mrs. Law Fan Chiu Fun Fanny. Except for Mr. Chen Zhongyue, who is the Chairman and CEO of the Company, Mr. Chung Shui Ming Timpson and Mrs. Law Fan Chiu Fun Fanny are independent non-executive Directors of the Company. The Chairman of the Nomination Committee is Mr. Chung Shui Ming Timpson.

Major Responsibilities

The primary responsibilities of the Nomination Committee include: reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making

recommendations on any proposed changes to the Board to complement the corporate strategy of the Company; identifying individuals suitably qualified to become Board members and making recommendations to the Board; formulating, reviewing and implementing the board diversity policy; assessing the independence of independent non-executive Directors; making recommendations to the Board on the appointment or re- appointment of Directors and succession planning for Directors; providing advice to the Board on candidates of the senior management nominated by the CEO and on changes to the senior management of the Company.

Work Completed in 2023

The Nomination Committee meets at least once a year. The Nomination Committee held one meeting and passed one written resolutions in 2023 for, amongst other things, reviewing the structure, size and composition of the Board, reviewing the board diversity policy and its implementation, assessment of the independence of independent non-executive Directors, making recommendations to the Board on the proposed re-election of Directors and the appointment of executive Directors.

The Company has determined nomination policy. With respect to the nomination and appointment of new directors and senior management members and the succession planning for directors, the Nomination Committee would, after considering the Company's need for new directors and/or senior management members, identify a wide range of candidates from within the Company and the human resources market and make recommendations to the Board. The Nomination Committee will consider candidates on

merit against objective criteria and with due regard to the benefits of diversity on the Board, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and duration of service. After having obtained the consent from candidates in relation to the relevant nomination and based on the Company's actual needs, the Board would convene a meeting, attendees of which include non-executive Directors, to consider the qualifications of the candidates. Pursuant to the Company's articles of association, one-third of the Directors shall retire from office by rotation and be eligible for re-election at each annual general meeting.

The Company has also determined a policy concerning diversity of board members. The Company recognises and embraces the benefits of having a diverse Board, and notes increasing diversity at Board level as an essential element in maintaining a competitive advantage. All Board appointments are made on merit on a selective basis, in the context of the skills and experience the Board as a whole requires to be effective. In reviewing Board composition, the Nomination Committee will consider their professional knowledge, skills, experience and the balance of diversity of perspectives which are appropriate to the Company's business model and specific needs. In identifying suitable candidates for appointment to the Board, the Nomination Committee will give due regard to the benefits of diversity on the Board and base on a range of diversity perspectives including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and duration of service. The ultimate decision will be based on merit

and contribution that the selected candidates will bring to the Board. The Board and the Nomination Committee review the board diversity policy as well as its implementation and effectiveness every year to ensure that the board diversity policy continues to serve its purpose. Currently the Board comprises seven members, amongst which two members, accounting for 29% of the whole Board, are female directors. The Board considers that gender diversity is achieved in respect of the Board, and targets to maintain at least the current level of female representation. In addition, the gender proportion (Male/Female) of all employees of the Company is 1.62:1. The female representation in senior management has continuously increased, from 11.9% in 2019 to 12.3% in 2023. The Company targets to maintain at least the current level of female representation in the workforce (including senior management). The Company is not aware of any mitigating factors or circumstances which make achieving gender diversity across the workforce (including senior management) more challenging or less relevant. The Company strictly implemented the relevant provisions of the Labour Contract Law, adopted strict inspection and control procedures in recruitment and promotion and strictly prohibited any discrimination against employees in terms of age and gender. The Company also ensures that the recruitment and selection practices at all levels are appropriately structured so that a diverse range of candidates are considered. The Company cares about female employees. It protected the rights and interests of female employees and provided targeted and considerate services to them, to retain the female talents.

CORPORATE GOVERNANCE REPORT

In addition, pursuant to the Company's articles of association, shareholder may propose other person for election as a director at general meeting. The proposal will be considered and approved in the general meeting. With regard to the procedure for shareholder to propose a person for election as a director, please visit the Company's website at https://www.chinaunicom.com.hk/en/esg/cg_report.php.

INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu is the independent auditor of the Company. Apart from audit services, it also provides other assurance and non-audit services. The audit committees supervised the independent auditor and determined the potential impact of non-audit services on such auditor's independence, and pre-approved the services and fees to be provided by the independent auditor based on the established pre-approval framework. The remuneration paid/payable to the independent auditor for provision of services in 2023 is as follows:

Items	Note	2023 (in RMB thousands)
Audit services for financial statements	(i)	44,480
Other special purpose audit and assurance services	(ii)	10,714
Non-audit services	(iii)	15,533

Notes:

- (i) Audit services for financial statements in 2023 mainly included the provision of audit service for the Company's consolidated financial statements, and statutory audit services for the financial statements of its subsidiaries.
- (ii) Other special purpose audit and assurance services are the audit and assurance services other than the audit services for financial statements.
- (iii) Non-audit services included other services that can be reasonably provided by the independent auditor. In 2023, the provisions of non-audit services mainly included tax compliance services and other advisory services.

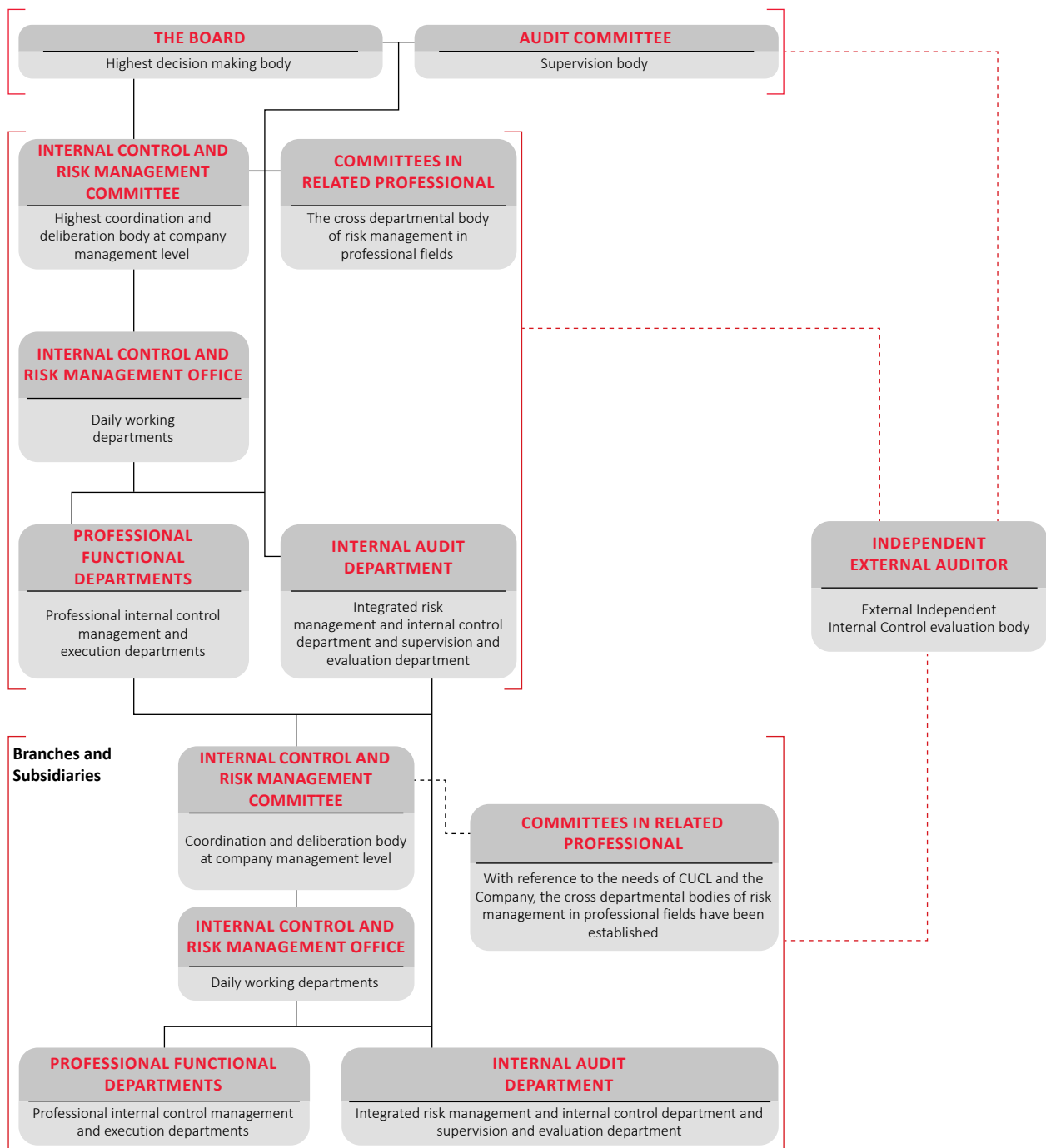
RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems (included but not limited to operational, financial, compliance, environmental, social and governance), promotes the sustainable and healthy development of the Company, and enhances the Company's operation management level and risk prevention ability. The Board should oversee management in the design, implementation and monitoring of the risk management and internal control systems, and management should provide a confirmation to the Board on the effectiveness of these systems. The Board acknowledges that it is its responsibility for the risk management and internal control systems and reviewing their effectiveness.

Risk management and internal control systems have been designed to monitor and facilitate the accomplishment of the Company's business objectives, safeguard the Company's assets against loss and misappropriation, ensure maintenance of proper accounting records for the provision of reliable financial information, ensure the Company's compliance with applicable laws, rules and regulations. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Organisation systems

The Company set up a group-wide risk management and internal control systems consisting of the Board, the Internal Control and Risk Management Committee, the Integrated Management Department and each relevant professional functional departments.



CORPORATE GOVERNANCE REPORT

The Company has an internal audit department with 652 staff members, with officers stationed at various provincial branches. The internal audit department reports directly to the Audit Committee at least twice annually and is independent of the Company's daily operation and accounting functions. The internal audit department is responsible for overall risk evaluation, special risk evaluation and internal control self-testing etc. It has also formulated targeted risk prevention and control measures, conducted risk follow-up inspections and has enhanced the risk awareness of the employees, all of which have played an active role in the Company's effective support and safeguard of its operation management and business development. Furthermore, with an emphasis on the effectiveness of internal control with respect to the efficiency of operations, accuracy of financial information, and compliance with rules and regulations, the internal audit department conducts, amongst others, internal control assessment and internal audit on economic accountability. In addition, the internal audit department also contributes to strengthening the operation and management, improving internal control systems, mitigating operational risks and increasing the economic efficiency of the Company.

Using the risk evaluation as fundamental with the adoption of Internal Control Integrated Framework issued by the Committee of Sponsoring Organisations of the Treadway Commission (the "COSO"), the Company established and improved internal control systems based on the following five fundamental components:

1. Control Environment: Establishes the control environment which fulfill COSO requirements to provide the appropriate operating environment for the effective implementation of internal control
2. Risk Evaluation: Establishes the Policy on Risk Evaluation Management and evaluation mechanism, evaluates the risks to the achievement of its objectives across the Company and identifies to the new risk due to the changes
3. Control Activities: Deploys appropriate policies and control procedures over the Company's business activities, identifies key control procedures and policies of significant control activities through evaluation
4. Information and Communication: Identifies relevant information and communication methods, establishes information and communication mechanisms to aggregate and delivers relevant information
5. Monitoring Activities: Establishes the internal control monitoring mechanism, implements the monitoring procedures and adopted the before, during and extensive monitoring principles, and carries on the proper monitoring to the internal control

Risk evaluation and management

The Company has established and gradually improved its comprehensive closed-loop risk management system for the purpose of “integrating management of day-to-day general risks and spontaneous critical risks”, achieved the closed-loop management by risk evaluation, early warning and follow-up inspections to ensure the effectiveness of operation management. The Company evaluated the adequacy and appropriateness on risk and control measures according to the new business model, management requirement, change of system, adjustment of duties and findings from internal and external inspections.

2023 Risk evaluation result

The followings were the major significant risks which the Company encountered and its countermeasures in 2023:

Network and cybersecurity risk

Cybersecurity is an important component of national security. Cybersecurity and informatisation complement each other, in the sense that security is the premise of development and development is the guarantee of security. The Company attaches great importance to network and cybersecurity, strictly complies with the requirements of national laws and regulations, and insists on serving the construction of Cyber Superpower and Digital China. We take the maintenance of network and cybersecurity as an important mission of responsibility, and are committed to serving as the leading contributor of digital information operation and services and the pioneer of digital technology integration and innovation.

Public opinion risk

With the rapid development of self-media in recent years, the internet has not only increased the speed of information dissemination, but also made information development more diversified and fragmented. Properly managing public opinions is an important task for the Company's reform, development, production and operation. The Company conscientiously fulfills the mission and tasks of a central state-owned enterprise

that driven by the demand of Company's high-quality development in managing the Company's news and public opinions continuously. It actively expands media cooperation relations and guides positive public opinions and information, which enhances the expectations and confidence of all parties for the Company's high-quality development in the capital market.

Risk of high-quality development of computing and digital smart applications business

With the vigorous development of the digital economy, new technologies, new business forms and new models continue to emerge, and the profound transformation brought by the deep integration of the digital and real economies provides a broad space for the Company's innovation and transformation, improvement of core competitiveness and sustainable development. The Company attaches great importance to the R&D of innovative products, strengthens the position of enterprises as the main body of scientific and technological innovation, and increases the layout of strategic emerging industries. It plays the role of scientific and technological innovation, industrial control and security support, and lead the industrial transformation and upgrading through technological innovation.

Risk of fixed asset investment

Characterised by large investment scale, wide expertise and long project management chain, the fixed asset investment of telecom operators effectively controls the investment direction, meets the business needs of the market, and puts forward higher requirements for improving construction efficiency and investment efficacy. The Company attaches great importance to fixed asset investment, deepens its implementation of the new digital infrastructure plan, insists on strengthening and solidifying. We reasonably control the investment scale for the purpose of accurate construction, efficient operation and improvement of investment efficacy, thus driving the Company towards high-quality development.

CORPORATE GOVERNANCE REPORT

The scope of the 2023 overall risk evaluation covered the whole Group, which included headquarter, 31 provincial companies and its cities-level branch offices and subsidiaries. Through both the quantitative and qualitative analysis, the Company fully considered the changes in operating environment, business and policies, identified the potential risk to the Company's operation, and planned for the risk according to the quantitative result. After reporting to each professional departments and the management, the significant risks and the risk level of the year were finally determined. The annual risk management instructions from the management were implemented according to the Policy on Risk Management and the Company's risk management requirement. This included the formulation of relevant risk management strategies, solution and corresponding departments carried out interim follow-up inspection works. The negative impacts arising from the risks and risk events were controlled as planned and were within an acceptable range. There were no significant control failings or weaknesses that have been identified during the year.

Monitoring and Optimisation

To ensure the effectiveness of risk management and internal control designs, the Company carried out risk evaluation timely and compared the risk points, formulated or enhanced corresponding internal control measures according to the change in business and management. At the same time, the internal control manual will be updated timely through the assessment and review on applications on internal control workflow modification submitted by professional departments, risk evaluation reports and exceptional issues from

internal control assessment etc., so as to provide the effective support for the development of the sustainable growth of the Company. Internal Control and Risk Management Office conducted inspections on effectiveness on risk management and internal control implementation in regular or irregular time interval, improved and enhanced risk management and internal control designs continuously. Our Internal Audit Department has continued to organise our branches and subsidiaries to conduct annual internal control self-assessment based on the actual conditions of each unit and improve the quality of such self-assessment tasks, so as to gradually develop a quantitative internal assessment regime governed by uniform standards. Through the effective rectification of issues identified during the audit, assessment of the internal control system and its implementation, improvements made to the system and process optimisation, a long-term mechanism for closed-loop management in internal control has been put in place. According to the internal control self-assessment reports from the branches and subsidiaries, self-assessment reports from each professional department, current year exceptional issues in internal control discovered during internal audit and the Company annual risk management report, the Group's Internal Control and Risk Management Office at its headquarter formed the Company's internal control self-assessment report, which acted as supporting document for the management to issue a statement of the effectiveness of internal control. Based on different disclosure requirements on Company's internal control assessment report from different listing regulatory body, the Company prepared internal control assessment report respectively.

As a telecommunications operator, the Company is subject to the laws and regulations, e.g., relevant provisions in the Cybersecurity Law of the People's Republic of China, Data Security Law of the People's Republic of China, Personal Information Protection Law of the People's Republic of China and Anti-Telecom and Online Fraud Law of the People's Republic of China, designed to protect critical information infrastructure. Personal privacy, information security, and data protection are increasingly significant issues in China and other jurisdictions in which the Company operate. For example, Cybersecurity Law of the People's Republic of China published in 2016 which sets forth the general framework regulating network products, equipment and services, as well as the operation and maintenance of information networks, the protection of personal data, and the supervision and administration of cybersecurity in China. The Data Security Law of the People's Republic of China and Personal Information Protection Law of the People's Republic of China published in 2021 further regulate data and personal information processing activities, and protect the legitimate rights and interests of individuals and organisations from being infringed. The Anti-Telecom and Online Fraud Law of the People's Republic of China published in 2022 which clearly stated that telecommunications, finance, and network institutions are the main anti-fraud entities, and carry out targeted system design for various aspects of

telecom and online fraud to consolidate corporate responsibility. The Company also devotes significant resources to network security, data security and other security measures to protect its systems and data and in response to the evolving cybersecurity laws and regulations. The Company also employs risk management and internal control systems. including, among other things, (i) continuously strengthening data security capabilities, such as improving data encryption, protection of critical information infrastructure and security of supply chain of the information technology products and services; (ii) establishing data protection compliance policies and guidelines, including training on crisis management and compliance of cybersecurity laws and regulations; (iv) self-examining potential risks and weakness of data system and updating private policy; (iv) enhancing the real-time monitoring and alarm reporting system and implementing an emergency action plan to allow the Company to act responsively and minimise losses in the event of an emergency; and (v) continuously improving compliance efforts through enhanced sharing of relevant knowledge internally and externally. The Company is required to perform a security assessment when transferring personal information and important data overseas if such personal information and important data are collected and generated from the operation in China.

CORPORATE GOVERNANCE REPORT



Annual review

The Board oversees the Company's risk management and internal control systems on an ongoing basis and the Board conducted an annual review of the risk management and internal control systems of the Company and its subsidiaries for the financial year ended 31 December 2023, which covered all material controls including financial, operational and compliance controls. After receiving the reports from the Internal Audit Department, as well as the confirmation from the management to the Board on the effectiveness of these systems, the Board is of the view that the Company's risk management and internal control systems is effective and adequate. The review also ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit, financial reporting function, as well as those relating to the Company's ESG performance and reporting.

Information Disclosure Controls and Procedural Standards

In order to further enhance the Company's system of information disclosure, and to ensure the truthfulness, accuracy, completeness and timeliness of its public disclosures (including inside information), the Company has adopted and implemented the Information Disclosure Control Policy. In an effort to standardise the principles for information disclosures, the Company established the Information Disclosure Review Committee under the management and formulated the procedures in connection with the compilation and reporting of the Company's financial and operational statistics and other information, as well as the procedures in connection with the preparation and review of the periodic reports. Moreover, the Company established detailed implementation rules with respect to the contents and requirements of financial data verification, in particular, the upward undertakings by the individual responsible officers at the major departments.

Policy and Work of Anti-corruption

China Unicom always adheres to the principles of “rigorous tone, rigorous measures and rigorous environment”, promotes the idea of “deter, disable and discourage”, promote anti-corruption and anti-privileged, further consolidating and expanding the results of anti-corruption.

Strengthening the anti-corruption system

In 2023, the Company continued to strengthen the system and mechanism. We enhanced publicity and enforcement efforts to resolutely curb and prevent corruption.

Standardising the acceptance of letters and visits: the Company issued the Opinions on Several Issues Concerning the Application of the Regulations on Letters and Visits by China Unicom Disciplinary Inspection and Supervision Institutions to promote the accurate understanding of core principles and requirements,

foster the establishment of a good reporting order in the form of letters and visits, and continuously improve the standardisation level of work.

Improving the punishment mechanism: the Company further regulated the rules and regulations for disciplinary actions against suspected target of illegal crime monitoring. It strengthened the bridging mechanism for handling corruption cases, and intensified the seriousness, standardness and timeliness of disciplinary actions.

Enhancing the anti-corruption efficacy: the Company issued the Guiding Opinions on Further Strengthening and Standardising the Quality Review of Cases, clarified the evaluation standards, and promoted the fight against corruption through the application of the rule of law thinking and approach.

Strengthening anti-corruption mechanisms

Strengthen risk prevention and control: China Unicom continued to improve the integrity risk prevention and control system, identify integrity risk points, and enhance preventive and control measures.



CORPORATE GOVERNANCE REPORT



Strengthening supervision and restriction: China Unicom delved into the application of an all-dimensional supervision system and strengthened daily supervision around key personnel, matters and areas. The Company detected any signs of irregularities at the earliest to nip the buds. It explored the use of digital means to carry out online real-time supervision and took the initiative to prevent risks in advance.

Deepening warning education: China Unicom produced special documentaries on warning education, reported and exposed corrupt cases, attended court hearings as observers in relevant cases and carried out special warning education on typical cases, so as to educate and guide cadres and employees to be law-abiding, maintain vigilance, and uphold the bottom line.

Deepening the construction of integrity culture in the new era: The Company issued China Unicom's Core Concepts of Integrity Culture and Integrity Code of Conduct as a means to promote the integrity culture into the teams, departments, frontline units, positions, families and partners.

In 2023, China Unicom provided anti-corruption education and training to a total of 2.593 million person-time and achieved 100% employee coverage in anti-corruption education activities.

POLICY ON PAYMENT OF DIVIDEND

The Company is committed to sharing the fruits of its long-term development with shareholders while continuing to promote good growth of revenue and profit and maintaining its sustainable development capability. The declaration and payment of future dividends will depend upon, among other things, financial condition, business prospects, future earnings, cash flow, liquidity level and cost of capital. The Company believes such policy will provide the shareholders with a stable return in the long term along with the growth of the Company. Pursuant to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the Company's articles of association, the Company may only pay dividends out of profits available for distribution.

Taking into consideration the Company's robust business development, the Board recommended the payment of a final dividend of RMB0.1336 per share for the year ended 31 December 2023, together with an interim dividend of RMB0.203 per share already paid during the year, total dividend for 2023 amounted to RMB0.3366 per share.

CORPORATE TRANSPARENCY AND INVESTOR RELATIONS

In addition to publishing annual reports and interim reports, the Company discloses major unaudited financial information (including revenue, operating expenses, EBITDA, net profit) and other key performance indicators on a quarterly basis and announces key operational statistics on a monthly basis in order to enhance the Company's transparency and improve investors' understanding of the business operations of the Company.

Upon the announcement of interim and annual results or major transactions, the Company will generally hold analyst briefings, press conferences, and global conference with investors. During such conferences, the management of the Company would interact directly with analysts, fund managers, investors and journalists

to provide them with relevant information and data of the Company. The Company's management would accurately and thoroughly respond to questions raised by analysts, fund managers, investors and journalists. Archived webcast of the investor presentation is also available on the Company's website to ensure wide dissemination of information and data.

The Company's investor relations department is responsible for providing information and services requested by investors, maintaining timely communications with investors and fund managers, including responding to investors' inquiries and meeting with company-visit investors, as well as gathering market information and passing views from shareholders to the Directors and management to ensure such views are properly communicated. The Company also arranges from time to time road shows and actively attends investor conferences arranged by investment banks, through which the Company's management meets and communicates with investors to provide them with opportunities to understand more accurately the Company's latest development and performance in various aspects, including business operations and management.



CORPORATE GOVERNANCE REPORT

In 2023, the Company participated in the following investor conferences:

Date	Conferences
January 2023	Credit Suisse 9th Greater China Technology and Internet Conference
January 2023	UBS Greater China Conference 2023
March 2023	26th Credit Suisse Asian Investment Conference
May 2023	Macquarie DELTAH China Conference 2023
June 2023	UBS Future-Now APAC Conference 2023
September 2023	4th Annual Jefferies Asia Forum
September 2023	30th CITIC CLSA Flagship Investors' Forum
November 2023	Daiwa Investment Conference Hong Kong 2023

In addition, through announcements, press releases and the Company website (www.chinaunicom.com.hk), the Company disseminates the latest information regarding any significant business development in a timely and accurate manner. In the perspective of investor relations, the Company's website not only serves as an important channel for the Company to disseminate press releases and corporate information to investors and the capital market, but also plays a significant role in the Company's valuation and our compliance with regulatory requirements for information disclosure. In 2023, the Company updated the content of its website on an ongoing basis to further enhance the functions of website and level of transparency in information disclosure, striving for achieving international best practices. Our website was honored with the Grand Award by an international institution, "iNova Awards", this year.

Furthermore, the Company has determined a Shareholders' Communication Policy which has been uploaded on the Company's website, so as to ensure that the shareholders of the Company are provided with readily, equal and timely access to balanced and understandable information about the Company, to enable shareholders to exercise their rights in an informed manner, and to enhance the shareholders' and the investment community's communication with the Company. The Company maintains an on-going dialogue with shareholders while gathering market information and passing views from shareholders to the Directors and management, through the different channels as set out in the Shareholders' Communication Policy, including but not limited to corporate communications, company's website, general meetings and investor conferences. The Board reviewed the Company's shareholders and investor engagement and communication activities conducted during the year and was satisfied with the implementation and effectiveness of the Shareholders' Communication Policy.

The Company's effort in investor relations is well recognised by the capital market, and accredited with a number of awards. The Company was voted as "Asia's Best IR Team (Telecoms)" in "2023 All-Asia Executive Team" ranking organised by Institutional Investor.

SHAREHOLDERS' RIGHTS

Annual General Meeting

The Board endeavors to maintain an on-going dialogue with shareholders, and in particular, to communicate with shareholders through annual general meetings. Notices of annual general meeting are sent to shareholders at least 21 days before the meeting. The Directors and representatives of the Board committees usually attend the meetings and treasure the opportunities to communicate with shareholders at such meetings. The independent auditor also attends the annual general meeting for the reporting to shareholders every year. At general meetings, the chairman of the meeting proposes individual resolutions in respect of each substantially separate matter. All matters at the Company's general meetings are resolved by poll and the relevant procedures are explained at the meeting. The Company also appoints external scrutineers to ensure that all votes are counted and recorded appropriately, and publishes the poll results in a timely manner.

CORPORATE GOVERNANCE REPORT

The last annual general meeting of the Company was held on 19 May 2023, at which the following resolutions were passed and percentage of votes cast in favor of the resolutions are set out as follows:

- to receive and consider the financial statements and the Reports of the Directors and of the Independent Auditor for the year ended 31 December 2022 (over 99%)
- to declare a final dividend for the year ended 31 December 2022 (over 99%)
- to re-elect Mr. Chen Zhongyue, Mr. Wong Wai Ming and Mr. Chung Shui Ming Timpson as Directors, and to authorise the Board to fix remuneration of the Directors (over 97%)
- to re-appoint auditor and authorise the Board to fix their remuneration for the year ending 31 December 2023 (over 99%)
- to grant a general mandate for share buy-back (over 99%)

- to grant a general mandate to issue new shares (over 96%)
- to extend the general mandate to issue new shares (over 96%)
- to approve the proposed amendments to the Articles of Association of the Company and the adoption of the new Articles of Association of the Company (over 99%)

The next annual general meeting will be held on 30 May 2024. Please refer to the circular, which sets out the details, that has been dispatched together with this Annual Report.

Putting Forward Resolutions at Annual General Meetings

Pursuant to Section 615 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the following persons may put forward a resolution at the next annual general meeting of the Company: (a) any number of shareholders, together holding not less than 2.5% of the total voting rights of all shareholders which have, as at the date of the requisition, a right to vote at the next annual general meeting, or (b) not less than 50 shareholders who have a right to vote on the resolution at the annual general meeting to which the requests relate.

The resolution must be one which may be properly moved and is intended to be moved at the next annual general meeting. The requisition must be signed by the requisitionists and deposited at the registered office of the Company at least six weeks or if later, the time at which notice is given of the annual general meeting before the annual general meeting, the Company has a duty to give notice of such proposed resolution to all shareholders who are entitled to receive notice of the next annual general meeting.

In addition, requisitionists may require the Company to circulate to shareholders entitled to receive notice of the annual general meeting a statement of not more than 1,000 words with respect to the resolution to be proposed. However, the Company is not required to circulate any statement if the court is satisfied that this right is being abused to secure needless publicity for defamatory matters. In such event, the requisitionists may be ordered to pay for the Company's expenses for application to the court.

If the requisition signed by the requisitionists does not require the Company to give shareholders notice of a resolution, such requisition may be deposited at the registered office of the Company not less than one week before the next annual general meeting.

Convening Extraordinary General Meetings

Pursuant to Section 566 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), shareholder(s) holding not less than 5% of the total voting rights of all shareholders having a right to vote at general meetings of the Company as at the date of deposit of the requisition, may request the Directors of the Company to convene an extraordinary general meeting. The requisition must state the objects of the meeting and must be signed by the requisitionists and deposited at the registered office of the Company.

If the Directors do not, within 21 days from the date of deposit of the requisition, proceed duly to convene a meeting to be held not more than 28 days after the notice of the meeting, shareholder(s) requisitioning the meeting, or any of them representing more than half of their total voting rights, may themselves convene a meeting to be held within three months of such date.

Meetings convened by the requisitionists must be convened in the same manner, as nearly as possible, as meetings to be convened by Directors of the Company. Any reasonable expenses incurred by the requisitionists will be reimbursed by the Company due to the failure of the Directors duly to convene a meeting.

CORPORATE GOVERNANCE REPORT

Putting Forward Resolutions at Extraordinary General Meetings

Shareholders may not put forward resolutions to be considered at any general meetings other than annual general meetings. However, shareholders may request an extraordinary general meeting to consider any such resolution as described in “Convening Extraordinary General Meetings” above.

Any queries relating to shareholders’ rights on putting forward resolutions at general meetings and convening extraordinary general meetings should be directed to the Company Secretary of the Company. Requisitions should be deposited at the Company’s registered office and marked for the attention of the Company Secretary.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

To provide flexibility to the Company in relation to the conduct of general meetings, the Company’s shareholders passed a special resolution at the annual general meeting on 19 May 2023 approving certain

amendments to the articles of association of the Company to, among other things, allow the Company to hold general meetings as hybrid meetings or electronic meeting where shareholders may attend and participate by means of electronic facilities in addition to physical attendance. The latest version of the articles of association of the Company is available on both the websites of the Company and the Hong Kong Stock Exchange.

CONTINUOUS EVOLUTION OF CORPORATE GOVERNANCE

The Company continuously analyses the corporate governance development of international advanced enterprises and the investors’ desires, review and enhance corporate governance procedures and practices from time to time so as to meet our shareholders’ expectations, commits to high standards of corporate governance and recognises that good governance is vital for the long-term success and sustainability of the Company’s business.



ENQUIRY ON THE COMPANY

Shareholders may raise any enquiry on the Company at any time through the following channels:

China Unicom (Hong Kong) Limited

Address: 75th Floor, The Center, 99 Queen's Road Central, Hong Kong

Tel : (852) 2126 2018
 Fax : (852) 2126 2016
 Website : www.chinaunicom.com.hk
 Email : ir@chinaunicom.com.hk

These contact details are also available in the "Contact Us" section on the Company's website (www.chinaunicom.com.hk) designated to enable shareholders to send enquiries to the Company on a timely and effective manner.



<https://www.chinaunicom.com.hk>

REPORT OF DIRECTORS

The board of directors (the “Board”) of China Unicom (Hong Kong) Limited (the “Company”) is pleased to present its report together with the audited financial statements of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of Company’s subsidiaries are the provision of comprehensive telecommunications services.

RESULTS AND APPROPRIATION

The results of the Group for the year ended 31 December 2023 are set out on pages 93 to 94 of this annual report.

Taking into consideration the Company’s robust business development, the Board has resolved to recommend at the forthcoming shareholders’ general meeting that the payment of a final dividend of RMB0.1336 per ordinary share (“2023 Final Dividend”) for the year ended 31 December 2023, totaling approximately RMB4,088 million. Together with the 2023 interim dividend payment of RMB0.203 per share during 2023, the total dividend payment for 2023 amounted to RMB0.3366 per share, totaling approximately RMB10,299 million (2022: RMB8,384 million). Going forward, the Company will continue to strive for enhancing its profitability and shareholders’

returns. If approved by shareholders at the forthcoming annual general meeting, the 2023 Final Dividend is expected to be paid in Hong Kong dollars on or about 26 June 2024 to those members registered in the Company’s register of members as at 7 June 2024 (the “Final Dividend Record Date”).

FINANCIAL INFORMATION

Please refer to the Financial Summary on pages 202 to 203 for the summary of the operating results, assets and liabilities of the Group for the five years ended 31 December 2023.

Please refer to the financial statements on pages 93 to 201 for the operating results of the Group for the year ended 31 December 2023 and the respective financial positions of the Group and the Company as at that date.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2023 is set out in the sections headed “Chairman’s Statement” on pages 8 to 15, “Business Overview” on pages 16 to 19, “Financial Overview” on pages 20 to 25, “Financial Statements” on pages 93 to 201, “Human Resources Development” on pages 86 to 87, “Corporate Governance Report” on pages 40 to 67 and “Report of the Directors” on pages 68 to 85 respectively of this annual report. All references herein to other sections or reports in this annual report form part of this Report of the Directors.

LOANS

Please refer to Notes 33, 39 and 45.1 to the consolidated financial statements for details of the borrowings of the Group.

COMMERCIAL PAPERS

Please refer to Note 40 to the consolidated financial statements for details of the commercial papers of the Group.

CAPITALISED INTEREST

Please refer to Note 15 to the consolidated financial statements for details of the interest capitalised by the Group for the year.

EQUITY-LINKED AGREEMENTS

Other than the share scheme as disclosed in this Report of the Directors, as at 31 December 2023, no equity-linked agreements were entered into by the Group or subsisted during the year.

PROPERTY, PLANT AND EQUIPMENT

Please refer to Note 15 to the consolidated financial statements for movements in the property, plant and equipment of the Group for the year.

CHARGE ON ASSETS

As at 31 December 2023, no property, plant and equipment was pledged to banks as loan security (31 December 2022: Nil).

SHARE CAPITAL

Please refer to Note 30 to the consolidated financial statements for details of the share capital.

RESERVES

Please refer to page 98 and page 180 of this annual report for the movements in the reserves of the Group and the Company during the year ended 31 December 2023 respectively. As at 31 December 2023, the distributable reserve of the Company amounted to approximately RMB7,855 million (2022: approximately RMB6,474 million).

SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Please refer to Notes 18, 19 and 20 to the consolidated financial statements for details of the Company's subsidiaries, the Group's associates and joint ventures.

CHANGES IN SHAREHOLDERS' EQUITY

Please refer to page 98 of this annual report for the Consolidated Statement of Changes in Equity and page 180 for the Statement of Changes in Equity.

EMPLOYEE BENEFIT EXPENSES

Please refer to Note 8 to the consolidated financial statements for details of the employee benefit expenses provided to employees of the Group.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights in the articles of association of the Company requiring the Company to offer new shares to the existing shareholders in proportion to their shareholdings.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's sales to its five largest customers for the year ended 31 December 2023 did not exceed 30% of the Group's total turnover for the year.

The Group's purchases from its largest supplier for the year ended 31 December 2023 represented approximately 28.56% of the Group's total purchases for the year. The total purchases attributable to the five largest suppliers of the Group for the year ended 31 December 2023 accounted for approximately 58.32% of the total purchases of the Group for the year.

None of the Directors nor their respective close associates (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) nor any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interests in the five largest suppliers of the Group for the year ended 31 December 2023.

REPORT OF DIRECTORS

SHARE SCHEME OF THE COMPANY

Pursuant to a resolution passed at the annual general meeting held on 16 April 2014, the Company adopted a new share option scheme (the “2014 Share Option Scheme”). The purpose of the 2014 Share Option Scheme was to recognise the contribution that certain individuals have made to the Company, to attract and retain the best available personnel and to promote the success of the Company. The 2014 Share Option Scheme is valid and effective for a period of 10 years commencing on 22 April 2014 and will expire on 22 April 2024. Following the expiry of the 2014 Share Option Scheme, no further share option can be granted under the 2014 Share Option Scheme, but the provisions of the 2014 Share Option Scheme will remain in full force and effect to the extent necessary to give effect to the exercise of any share options granted prior thereto or otherwise as may be required in accordance with the provisions of the 2014 Share Option Scheme. Under the 2014 Share Option Scheme:

- (1) share options may be granted to employees including all Directors;
- (2) 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;

- (3) the maximum aggregate number of shares in respect of which share options may be granted (the “Scheme Mandate Limit”) shall be calculated in accordance with the following formula:

$$N = A - B - C$$

where:

- “N” is the maximum aggregate number of shares in respect of which share options may be granted pursuant to the 2014 Share Option Scheme;
- “A” is the maximum aggregate number of shares in respect of which shares options may be granted pursuant to the 2014 Share Option Scheme and any other share option schemes of the Company, being 10% of the aggregate of the number of shares in issue as at the date of adoption of the 2014 Share Option Scheme;
- “B” is the maximum aggregate number of shares underlying the share options already granted pursuant to the 2014 Share Option Scheme; and
- “C” is the maximum aggregate number of shares underlying the options already granted pursuant to any other share option schemes of the Company.

Shares in respect of share options which have lapsed in accordance with the terms of the 2014 Share Option Scheme and any other share option schemes of the Company will not be counted for the purpose of determining the maximum aggregate number of shares in respect of which options may be granted pursuant to the 2014 Share Option Scheme;

- (4) 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;
- (5) the subscription price shall not be less than the higher of:
 - (a) the closing price of the shares on the Hong Kong Stock Exchange on the offer date in respect of the share options; and
 - (b) the average closing price of the shares on the Hong Kong Stock Exchange for the five trading days immediately preceding the offer date;
- (6) the total number of shares in the Company issued and to be issued upon exercise of the share options granted to a participant of the 2014 Share Option Scheme (including both exercised and outstanding share options) in any 12-month period must not exceed 1% of the issued share capital of the Company; and

- (7) an offer shall be deemed to have been accepted by the eligible participant and to have taken effect when the duplicate notice of grant comprising acceptance of the offer duly signed by the grantee together with a remittance in favour of the Company of HKD1.00 by way of consideration for the grant thereof is received by the Company within the time period specified in the offer.

No share options had been granted since adoption of the 2014 Share Option Scheme. As at 1 January 2023 and 31 December 2023, 1,777,437,107 options were available for grant under the Scheme Mandate Limit.

As at 31 December 2023, 1,777,437,107 shares were available for issue under the 2014 Share Option Scheme, representing approximately 5.81% of issued share capital of the Company as at the date of this annual report.

DIRECTORS', CHIEF EXECUTIVES' AND EMPLOYEES' INTERESTS UNDER THE SHARE SCHEME OF THE COMPANY

For the year ended 31 December 2023 and as at 31 December 2023, none of the Directors of the Company or chief executives or employees of the Company had any interests under any share scheme of the Company.

REPORT OF DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2023, the interests and short positions of Directors and chief executives of the Company in any shares, underlying shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the Hong Kong Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules"), were as follows:

Long Positions in the Shares and Underlying Shares of the Company

Name of Director	Capacity	Ordinary Shares Held	Percentage of Issued Shares
Chung Shui Ming Timpson	Beneficial owner (Personal)	6,000	0.00%

Save as disclosed in the foregoing, as at 31 December 2023, none of the Directors or chief executives of the Company had any interests or short positions in any shares, underlying shares, or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) as recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

Furthermore, save as disclosed in the foregoing, during the year ended 31 December 2023, none of the Directors or chief executives (including their spouses and children under the age of 18) of the Company had any interests in or was granted any right to subscribe in any shares, underlying shares, or debentures of the Company or any of its associated corporations, or had exercised any such rights.

MATERIAL INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2023, the following persons (other than disclosed under the section headed “Directors’ and Chief Executives’ Interests and Short Positions in Shares, Underlying Shares and Debentures”) had the following interests and short positions in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of Part XV of the SFO:

Long Positions in the Shares and Underlying Shares of the Company

Name of Shareholders	Ordinary Shares Held		Percentage of Issued Shares
	Directly	Indirectly	
(i) China United Network Communications Group Company Limited (“Unicom Group”) ^{1,2}	—	24,683,896,309	80.67%
(ii) China United Network Communications Limited (“A Share Company”) ¹	—	16,376,043,282	53.52%
(iii) China Unicom (BVI) Limited (“Unicom BVI”) ¹	16,376,043,282	—	53.52%
(iv) China Unicom Group Corporation (BVI) Limited (“Unicom Group BVI”) ^{2,3}	8,082,130,236	225,722,791	27.15%

Notes:

- (1) Unicom Group and A Share Company directly or indirectly control one-third or more of the voting rights in the shareholders’ meetings of Unicom BVI, and in accordance with the SFO, the interests of Unicom BVI are deemed to be, and have therefore been included in, the respective interests of Unicom Group and A Share Company.
- (2) Unicom Group BVI is a wholly-owned subsidiary of Unicom Group. In accordance with the SFO, the interests of Unicom Group BVI are deemed to be, and have therefore been included in, the interests of Unicom Group.
- (3) Unicom Group BVI holds 8,082,130,236 shares (representing 26.41% of the total issued shares) of the Company directly. In addition, Unicom Group BVI is also interested in 225,722,791 shares (representing 0.74% of the total issued shares) of the Company under the SFO, in which Unicom Group BVI had a pre-emptive right.

Apart from the foregoing, as at 31 December 2023, no person had any interest or short position in the shares or underlying shares in the Company as recorded in the register required to be kept under Section 336 of the SFO.

Please also refer to Note 30 to the consolidated financial statements for details of the share capital of the Company.

REPORT OF DIRECTORS

REPURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

For the year ended 31 December 2023, neither the Company nor any of its subsidiaries had repurchased, sold or redeemed any of the Company's listed shares.

COMPOSITION OF THE BOARD

The following is the list of Directors during the year and up to date of this report.

Executive Directors:

Chen Zhongyue (*Chairman and Chief Executive Officer*)

Liu Liehong (resigned on 30 July 2023)

Wang Junzhi

Li Yuzhuo

Independent Non-Executive Directors:

Cheung Wing Lam Linus

Wong Wai Ming

Chung Shui Ming Timpson

Law Fan Chiu Fun Fanny

Pursuant to the articles of association, Ms. Li Yuzhuo and Mr. Cheung Wing Lam Linus will retire at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

Please refer to Note 8 to the consolidated financial statements for details of the emoluments of the Directors.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its independent non-executive Directors the annual confirmation of his independence and the Company considers that all independent non-executive Directors are currently independent.

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save for the service agreements between the Company and the executive Directors subsisted during 2023 or as at 31 December 2023, the Directors or his/her connected entity(ies) did not have any material interest, whether directly or indirectly, in any significant transaction, arrangement or contract entered into by the Company.

None of the Directors for re-election at the forthcoming annual general meeting has an unexpired service agreement which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTEREST IN COMPETING BUSINESSES

Unicom Group and A Share Company are engaged in telecommunications business and other related businesses in China that are similar to and/or compete with those of the Company. Executive directors of the Company also hold executive positions with Unicom Group and A Share Company. Please refer to the section headed "Directors and Senior Management" on pages 28 to 39 of this annual report for further details.

Apart from the above, there are no competing interests of directors which are disclosable under Rule 8.10(2)(b) of the Listing Rules at any time during the year of 2023 up to and including the date of this annual report.

DIRECTORS OF SUBSIDIARIES

The names of all directors who have served on the boards of the subsidiaries of the Company during the year ended 31 December 2023 and up to the date of this report of directors are available on the Company's website (<http://www.chinaunicom.com.hk>).

PERMITTED INDEMNITY

Pursuant to the Company's articles of association, subject to the applicable laws and regulations, every Director shall be indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities which he/she may sustain or incur in the execution of his/her office or otherwise in relation thereto. The Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against directors of the Group.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2023, the Group had approximately 241,735 employees, 791 employees and 365 employees in Mainland China, Hong Kong and other countries, respectively. Furthermore, the Group had approximately 9,882 temporary staff in Mainland China. For the year ended 31 December 2023, employee benefit expenses were approximately RMB62.94 billion (for the year ended 31 December 2022: RMB60.73 billion), of which the salary of the contract employees was approximately RMB41.28 billion (for the year ended 31 December 2022: RMB40.85 billion). The Group endeavors to maintain its employees' remuneration in line with the market trend and to remain competitive. Employees' remuneration is determined in accordance with the Group's remuneration and bonus policies based on their performance. The Group also provides comprehensive benefit packages and career development opportunities for its employees, including retirement benefits, housing benefits and internal and external training programmes, which are tailored in accordance with individual needs.

The Company has adopted share option schemes, under which the Company may grant share options to eligible employees for subscribing for the Company's shares.

CONTINUING CONNECTED TRANSACTIONS

On 28 October 2022, CUCL, a wholly-owned subsidiary of the Company, and Unicom Group entered into a comprehensive services agreement (the "2023–2025 Comprehensive Services Agreement") while Finance Company ("Finance Company"), a subsidiary of the Company, and Unicom Group entered into a financial services agreement (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 2023–2025 Financial Services Agreement, Finance Company agreed to provide financial services to Unicom Group. The above continuing connected transactions will be for a term of three years from 1 January 2023 to 31 December 2025.

Unicom Group is the ultimate controlling shareholder of the Company and is therefore a connected person of the Company under the Listing Rules. Details of the continuing connected transactions under the 2023–2025 Comprehensive Services Agreement and the 2023–2025 Financial Services Agreement are as follows:

- (1) **Use of Telecommunications Resources**
Unicom Group agrees to provide to CUCL:
 - (a) 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

REPORT OF DIRECTORS

- (b) certain other telecommunications facilities required by CUCL for its operations.

The usage charges of international telecommunications resources and other telecommunications facilities are based on the annual depreciation and amortisation charges of such resources and telecommunications facilities provided that such charges would not be higher than the market rates. CUCL will be responsible for the on-going maintenance of such international telecommunications resources. CUCL and Unicom Group will determine and agree which party is to provide maintenance service for the telecommunications facilities referred to in paragraph (b) above. Unless otherwise agreed by CUCL and Unicom Group, such maintenance service charges would be borne by CUCL. If Unicom Group is responsible for maintaining any telecommunications facilities referred to in paragraph (b) above, CUCL will pay to Unicom Group the relevant maintenance service charges which will be determined with reference to market rates, or where there is no market rates will be agreed between the parties and determined based on reasonable costs plus reasonable profit margin. When determining the pricing standard or reasonable profit margin, to the extent practicable, management of the Company will take into account the rates of at least two similar and comparable transactions entered into with Independent Third Parties or the

relevant industry profit margins in the corresponding period for reference. The net usage charges due to Unicom Group for the provision of the above telecommunications resources and facilities will be settled between CUCL and Unicom Group on a quarterly basis.

For the year ended 31 December 2023, the total charges paid by CUCL to Unicom Group amounted to approximately RMB210 million.

(2) **Property Leasing**

CUCL and Unicom Group agree to lease to each other properties and ancillary facilities owned by CUCL or Unicom Group (including their respective branches and subsidiaries).

The rental charges for the leasing of each other properties and ancillary facilities are based on market rates. Where there is no market rate or it is not possible to determine the market rate, the rate will be negotiated and agreed between the two parties. Market rates refer to the rates at which the same or similar type of assets or services are provided by Independent Third Parties in the ordinary course of business and under normal commercial terms. Negotiated rates refer to the rates based on the reasonable costs plus the amount of the relevant taxes and reasonable profit margin. When determining the pricing standard or reasonable profit margin, to the extent practicable, management of the Company will take into account the rates of at least two similar and comparable transactions entered into with Independent Third Parties or the relevant industry profit margin in the corresponding period for reference. The rental charges are payable quarterly in arrears.

For the year ended 31 December 2023, the rental charges paid by CUCL to Unicom Group (relating to those leases of which the lease term is 12 months or less) amounted to approximately RMB945 million, the total value of right-of-use assets involved in the properties leased by CUCL (relating to those leases of which the lease term exceeds 12 months) amounted to approximately RMB116 million, and the rental charges paid by Unicom Group to CUCL was negligible.

(3) Value-added Telecommunications Services

Unicom Group (or its subsidiaries) agrees to provide the customers of CUCL with various types of value-added telecommunications services.

CUCL will settle the revenue generated from the value-added telecommunications services with the branches of Unicom Group (or its subsidiaries) on the condition that such settlement will be based on the average revenue for independent value-added telecommunications content providers who provide value-added telecommunications content to CUCL in the same region. The amount will be settled on a monthly basis.

For the year ended 31 December 2023, the total amount allocated to Unicom Group in relation to value-added telecommunications services amounted to approximately RMB73 million.

(4) Materials Procurement Services

Unicom Group agrees 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.

Charges for the provision of materials procurement services are calculated at the rate of:

- (a) up to 3% of the contract value of those procurement contracts in the case of domestic materials procurement; and
- (b) up to 1% of the contract value of those procurement contracts in the case of imported materials procurement.

The charges for the provision of materials by Unicom Group, and the pricing and/or charging standard of the commission for various materials procurement services, and storage and logistics services relevant to the direct material procurement are based on the market rates. Where there is no market rate or it is not possible to determine the market rate, the rate will be negotiated and agreed between the two parties. Market rates refer to the rates at which the same or similar type of assets or services is provided by Independent Third Parties in the ordinary course of business and under normal commercial terms. Negotiated rates refer to the rates based on the reasonable costs incurred in providing the services plus the amount of the relevant taxes and reasonable profit margin. When determining the pricing standard or reasonable profit margin, to the extent practicable, management of the Company will take into account the rates of at least two similar

REPORT OF DIRECTORS

and comparable transactions entered into with Independent Third Parties or the relevant industry profit margin in the corresponding period for reference. The service charges due to Unicom Group will be settled on a monthly basis.

For the year ended 31 December 2023, the total charges paid by CUCL to Unicom Group amounted to approximately RMB15 million.

(5) Engineering Design and Construction and IT Services

Unicom Group agrees to provide engineering design, construction and supervision services and IT services to CUCL. Engineering design services include planning and design, engineering inspection, telecommunications electronic engineering, telecommunications equipment engineering and corporate telecommunications engineering. Construction services include services relating to telecommunications equipment, telecommunications routing, power supplies, telecommunications conduit, and technical support systems. IT services include 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 for the provision of engineering design and construction and IT services are based on market rates. Market rates refer to the rates at which the same or similar type of

products or services are provided by Independent Third Parties in the ordinary course of business and under normal commercial terms. When determining the pricing standard, to the extent practicable, management of the Company will take into account the rates of at least two similar and comparable transactions entered into with Independent Third Parties in the corresponding period for reference. In the event the recipient will determine the specific provider of engineering design and construction and IT services through tender, the provider shall be no less qualified and equipped than the Independent Third Parties, and shall participate in the tender procedure on an equal footing with the Independent Third Parties. Under such circumstances, the pricing will be determined by the final rate according to the tender procedure. The service charges will be settled between CUCL and Unicom Group as and when the relevant services are provided.

For the year ended 31 December 2023, the total charges paid by CUCL to Unicom Group amounted to approximately RMB696 million.

(6) Ancillary Telecommunications Services

Unicom Group agrees 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 client telecommunications equipment, sales agency services, printing and invoice delivery services, maintenance of telephone booths, customers acquisitions and servicing and other customers' services.

The charges payable for the provision of ancillary telecommunications services are determined by the market rates between the two parties. Where there is no market rate or it is not possible to determine the market rates, the rate will be negotiated and agreed between the two parties. Market rates refer to the rates at which the same or similar type of assets or services are provided by Independent Third Parties under normal commercial terms. Negotiated rates refer to the rates based on the reasonable costs plus the amount of the relevant taxes and reasonable profit margin. When determining the pricing standard or reasonable profit margin, to the extent practicable, management of the Company will take into account the rates of at least two similar and comparable transactions entered into with Independent Third Parties or the relevant industry profit margin in the corresponding period for reference. The service charges will be settled between CUCL and Unicom Group as and when the relevant services are provided.

For the year ended 31 December 2023, the total services charges paid by CUCL to Unicom Group amounted to approximately RMB1,038 million.

(7) Comprehensive Support Services

Unicom Group and CUCL agree to provide comprehensive support services to each other, including dining services, facilities leasing services (excluding those facilities which are provided under the paragraph headed “Use of Telecommunications Resources” above), 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 agrees 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 service charges are determined by the market rates between the two parties. Where there is no market rate or it is not possible to determine the market rate, the rate will be negotiated and agreed between the two parties. Market rates refer to the rates at which the same or similar type of assets or services are provided by Independent Third Parties under normal commercial terms. Negotiated rates refer to the rates based on the reasonable costs plus the amount of the relevant taxes and reasonable profit margin. When determining the pricing standard or reasonable profit margin, to the extent practicable, management of the Company will take into account the rates of at least two similar and comparable transactions

REPORT OF DIRECTORS

entered into with Independent Third Parties or the relevant industry profit margin in the corresponding period for reference. The service charges will be settled between CUCL and Unicom Group as and when the relevant services are provided.

For the year ended 31 December 2023, the total services charges paid by CUCL to Unicom Group amounted to approximately RMB1,115 million, and the total services charges paid by Unicom Group to CUCL amounted to approximately RMB225 million.

(8) Shared Services

Unicom Group and CUCL agree to provide shared services to each other, including, but not limited to, the following: (a) CUCL will provide headquarter human resources services to Unicom Group; (b) CUCL will provide business support centre services to Unicom Group; (c) CUCL will provide hosting services related to the services referred to in paragraphs (a) and (b) above to Unicom Group; and (d) Unicom Group will provide premises to CUCL and other shared services requested by its headquarters. Unicom Group and CUCL will share the costs related to the shared services proportionately in accordance with their respective total assets value, except that the total assets value of the overseas subsidiaries and the listed company of Unicom Group will be excluded from the total asset value of Unicom Group, and the shared costs proportion will be agreed between Unicom Group and CUCL in accordance with the total assets value set out in the financial statements provided to each other, as adjusted in accordance with their respective total assets value on an annual basis.

For the year ended 31 December 2023, the total services charges paid by CUCL to Unicom Group amounted to approximately RMB76 million, and the services charges paid by Unicom Group to CUCL was negligible.

(9) Financial Services

Finance Company agrees to provide financial services to Unicom Group, including deposit services, lending and other credit services, and other financial services. Other financial services include settlement services, entrusted loans, financial and financing consultation, entrusted investment, bond underwriting, consultation, agency business, and other businesses approved by China Banking and Insurance Regulatory Commission or its agency for Finance Company.

The key pricing policies are follows:

Finance Company agrees to provide financial services to Unicom Group. The interest rate or fee standard will be determined in strict accordance with the relevant regulations of the People's Bank of China and the China Banking and Insurance Regulatory Commission and other institutions, as follows:

(a) Deposit Services

The maximum and minimum deposit interest rates will follow the provisions of the People's Bank of China 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 clients, and will be on normal commercial terms.

- | | |
|---|---|
| <p>(b) Lending and other credit services</p> <p>The lending and other credit services interest rates will follow the relevant provisions of the People's Bank of China, 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 banks of Unicom Group and/or offered by Finance Company to its other clients, and will be on normal commercial terms. For the year ended 31 December 2023, the maximum daily lending and other credit services balance (including accrued interests) amounted to approximately RMB4,633 million.</p> | <p>The service charges will be settled between Finance Company and Unicom Group as and when the relevant services are provided.</p> <p>For the financial year ended 31 December 2023, the above continuing connected transactions have not exceeded their respective caps.</p> <p>The Company has formulated and strictly implemented various systems including the Administrative Measures of Connected Transactions of China Unicom to ensure that connected transactions are properly entered into in accordance with pricing mechanisms and the terms of the transactions are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.</p> <p>The staff from the relevant business departments and the connected persons of the Company will negotiate the pricing terms of the continuing connected transactions. These pricing terms will be determined in accordance with the pricing policy principles set out in the 2023–2025 Comprehensive Services Agreement and the 2023–2025 Financial Services Agreement, which should be fair and reasonable and subject to the review of the finance department.</p> |
| <p>(c) Other financial services</p> <p>The rate of financial services will be determined according to the principles of fairness and reasonableness, as well as the fair market price or the standards set by the state. The fees to be charged by Finance Company for the provision of the financial services to Unicom Group will comply with the relevant prescribed rates for such services as determined by the institutions, including the People's Bank of China or the China Banking and Insurance Regulatory Commission, etc. Where no relevant prescribed rate is applicable, the fee will be determined with reference to market rates of similar financial services charges and agreed between the parties. For the year ended 31 December 2023, the total fees paid by Unicom Group to Finance Company amounted to approximately RMB1 million.</p> | <p>The legal department is responsible for the review of the agreement for connected transactions. The finance department takes the lead in the daily management and supervision of connected transactions, including liaising with the relevant business departments for account reconciliation with connected parties, monitoring the implementation of connected transactions together with business departments on a routine basis and performing supervisory examination. The finance department regularly reports the status of the implementation of connected transactions to the Audit Committee. The audit department includes review on connected transactions into the scope of annual internal control assessment and reports the results to the management.</p> |

REPORT OF DIRECTORS

Furthermore, the aforesaid continuing connected transactions have been reviewed by independent non-executive directors of the Company. In accordance with paragraph 14A.55 of the Listing Rules, the independent non-executive directors confirmed that the aforesaid continuing connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or better or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from independent third parties; and (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's independent auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The independent auditor has issued an unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in pages 75 to 81 of this annual report in accordance with paragraph 14A.56 of the Listing Rules. The independent auditors' letter has confirmed that nothing has come to their attention that cause them to believe that the continuing connected transactions:

- (A) have not been approved by the Board;
- (B) were not, in all material respects, in accordance with the pricing policies of the Group as stated in this annual report;

- (C) were not entered into, in all material respects, in accordance with the relevant agreements governing the continuing connected transactions; and
- (D) have exceeded their respective annual caps for the financial year ended 31 December 2023 set out in the previous announcements of the Company.

The Company confirms that it has complied with the requirements of Chapter 14A of the Listing Rules in relation to all connected transactions and continuing connected transactions to which any Group member was a party during 2023. Please refer to Note 45 to the consolidated financial statements for a summary of the related party transactions entered into by the members of the Group for the year ended 31 December 2023. Only those connected transactions specified in note 45.1 and 45.2 of the consolidated financial statements constitute continuing connected transactions under Chapter 14A of the Listing Rules, the details of which (except for fully exempt continuing connected transactions) have been disclosed in the paragraph "Continuing Connected Transactions" in the Report of the Directors above. Other related party transactions do not constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.

With the continuous expansion of operating scale and the continuous improvement of the centralised capital management capabilities of CUCL, a wholly-owned subsidiary of the Company, and subject to the satisfaction of the daily operation of CUCL and its subsidiary, Finance Company, the actual amount of the lending and other credit services between Finance

Company and Unicom Group in 2023 (RMB4,633 million) was close to the cap of the transaction (RMB4,650 million). In order to further satisfy the capital management needs of CUCL and enhance the capital efficiency, on 19 March 2024, the Board approved Finance Company and Unicom Group to enter into the Supplemental Agreement to revise the caps, being the daily lending and other credit services balance (including accrued interests) for the lending and other credit services to be provided by Finance Company to Unicom Group under the 2023–2025 Financial Services Agreement for each of the two years ending 31 December 2024 and 2025 to RMB7,500 million, respectively. Save as disclosed above, all other terms and conditions under the 2023–2025 Financial Services Agreement remain unchanged and valid.

CORPORATE GOVERNANCE REPORT

Report on the Company's corporate governance is set out in "Corporate Governance Report" on pages 40 to 67.

MATERIAL LEGAL PROCEEDINGS

As a company incorporated in Hong Kong and listed in Hong Kong, the Company adopts the Companies Ordinance of Hong Kong, the Securities and Futures Ordinance of Hong Kong, Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Company's Articles of Association and other related laws and regulations as the basic guidelines for the Company's corporate governance.

The principal activities of Company's subsidiaries are the provision of comprehensive telecommunications services. The Company is required to comply with the Cybersecurity Law of the People's Republic of China, Telecommunications Regulations of the People's Republic of China, Administrative Regulations on Telecommunications Companies with Foreign Investments and other related laws and regulations. At the same time, overseas subsidiaries of the Company are also required to comply with the related laws and regulations where their business operations are located.

For the year ended 31 December 2023, the Company had not been involved in any material litigation, arbitration or administrative proceedings. So far as the Company is aware of, no such litigation, arbitration or administrative proceedings were pending or threatened as at 31 December 2023.

PUBLIC FLOAT

Based on publicly available information and so far as Directors are aware, the Company has maintained the specified amount of public float as required by the Hong Kong Stock Exchange during the year ended 31 December 2023 and as at the date of this annual report.

DONATIONS

For the year ended 31 December 2023, the Group made charitable and other donations in an aggregate amount of approximately RMB1.436 million.

REPORT OF DIRECTORS

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining the shareholders' rights to attend and vote at the Annual General Meeting (and any adjournment thereof) on 30 May 2024, and entitlement to the 2023 Final Dividend, the register of members of the Company will be closed for registration of transfer of shares. Details of such closures are set out below:

- | | |
|--|---------------------------------|
| (1) For ascertaining the shareholders' rights to attend and vote at the Annual General Meeting (and any adjournment thereof): | |
| Latest time to lodge transfer documents for registration | 4:30 p.m. of 22 May 2024 |
| Closure of register of members | From 23 May 2024 to 30 May 2024 |
| Record date | 23 May 2024 |
| (2) For ascertaining the shareholders' entitlement to the 2023 Final Dividend: | |
| Latest time to lodge transfer documents for registration | 4:30 p.m. of 6 June 2024 |
| Closure of register of members | 7 June 2024 |
| Final Dividend Record date | 7 June 2024 |

During the above closure periods, no transfer of shares will be registered. To be eligible to attend and vote at the Annual General Meeting, and to qualify for the 2023 Final Dividend, all transfers, accompanied by the relevant certificates, must be lodged with the Company's Share Registrar, Hong Kong Registrars Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, by no later than the aforementioned latest times.

WITHHOLDING AND PAYMENT OF ENTERPRISE INCOME TAX FOR NON-RESIDENT ENTERPRISES IN RESPECT OF 2023 FINAL DIVIDEND

Pursuant to (i) the "Notice Regarding Matters on Determination of Tax Residence Status of Chinese-controlled Offshore Incorporated Enterprises under Rules of Effective Management" (the "Notice") issued by the State Taxation Administration of the People's Republic of China (the "STA"); (ii) the "Enterprise Income Tax Law of the People's Republic of China" (the "Enterprise Income Tax Law") and the "Detailed Rules for the Implementation of the Enterprise Income Tax Law of the People's Republic of China" (the "Implementation Rules"); and (iii) information obtained from the STA, the Company is required to withhold and pay enterprise income tax when it pays the 2023 Final Dividend to its non-resident enterprise shareholders. The enterprise income tax is 10% on the amount of dividend paid to non-resident enterprise shareholders (the "Enterprise Income Tax"), and the withholding and payment obligation lies with the Company.

As a result of the foregoing, in respect of any shareholders whose names appear on the Company's register of members on the Final Dividend Record Date and who are not individuals (including HKSCC Nominees Limited, other custodians, corporate nominees and trustees such as securities companies and banks, and other entities or organisations), the Company will distribute the 2023 Final Dividend payable to them after deducting the amount of Enterprise Income Tax payable on such dividend. Investors who invest in the shares in the Company listed on the Main Board of The Stock Exchange of Hong Kong Limited through the Shanghai Stock Exchange or Shenzhen Stock Exchange (the Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect investors) are investors who hold shares through HKSCC Nominees Limited, and in accordance with the above requirements, the Company will pay to HKSCC Nominees Limited the amount of the 2023 Final Dividend after deducting the amount of Enterprise Income Tax payable on such dividend.

In respect of any shareholders whose names appear on the Company's register of members on the Final Dividend Record Date and who are individual shareholders, there will be no deduction of Enterprise Income Tax from the dividend that such shareholder is entitled to.

Shareholders who are not individual shareholders listed on the Company's register of members and who (i) are resident enterprises of the People's Republic of China (the "PRC") (as defined in the Enterprise Income Tax Law), or (ii) are enterprises deemed to be resident enterprises of the PRC in accordance with the Notice, and who, in each case, do not desire to have the Company withhold Enterprise Income Tax from their 2023 Final Dividend, should lodge with the Company's Share Registrar, Hong Kong Registrars Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, at or before 4:30 p.m. of 6 June 2024, and present the documents from such shareholder's governing tax authority within the territory of the PRC confirming that the Company is not required to withhold and pay Enterprise Income Tax in respect of the dividend that such shareholder is entitled to.

If anyone would like to change the identity of the holders in the register of members, please enquire about the relevant procedures with the nominees or trustees. The Company will withhold for payment of the Enterprise Income Tax for its non-resident enterprise shareholders strictly in accordance with the relevant laws and requirements of the relevant government agencies and adhere strictly to the information set out in the Company's register of members on the Final Dividend Record Date. The Company assumes no liability whatsoever in respect of and will not entertain

any claims, arising from any delay in, or inaccurate determination of, the status of the shareholders, or any disputes over the mechanism of withholding and payment of Enterprise Income Tax.

MANAGEMENT CONTRACTS

Other than employment contracts, no contract concerning the management and administration of the whole or any substantial part of the Company's business was entered into or existed during 2023.

INDEPENDENT AUDITOR

At the close of the 2021 annual general meeting of the Company held on 13 May 2021, KPMG and KPMG Huazhen LLP retired as independent auditors of the Company upon expiration of their term of office. The Hong Kong financial reporting for the year ended 31 December 2021, 31 December 2022 and 31 December 2023 have been audited by Deloitte Touche Tohmatsu, which retire and, being eligible, offer itself for re-appointment at the 2024 annual general meeting. A resolution to re-appoint Deloitte Touche Tohmatsu and to authorise the Directors to fix its respective remuneration will be proposed at the 2024 annual general meeting.

By Order of the Board

Chen Zhongyue

Chairman and Chief Executive Officer

Hong Kong, 19 March 2024

HUMAN RESOURCES DEVELOPMENT

China Unicom adheres to the people-oriented principle and always pays attention to the mutual growth of its employees and the Company. It focuses on the protection of the rights and interests, comprehensive development and vitality stimulation of the workforce. The Company took multiple measures to enhance its employees' sense of achievement, happiness and security. In 2023, with adherence to talent as its first resource, it unswervingly implemented the strategy of strengthening the Company with talent, strived to promote the continuous optimisation of the talent structure, providing a strong guarantee for the high-quality development of the Company through high-quality human resources.

By implementing the strategy of strengthening the Company with talent in great depth, China Unicom accelerated the establishment of national strategic talent force for scientific and technological innovation, and focused on supporting the realisation of high-level scientific and technological self-reliance and self-improvement. The Company actively integrated itself into the general trend of "building a world-class talent center and innovation hub", it cultivated and attracted outstanding talents on all fronts. The Company focused on key groups such as high-level scientific and technological talents as well as young scientific and technological talents, supporting the significant optimisation of strategic talent structure, continuously improving the quality and efficiency of talents, and promoting the construction of a high-level scientific and technological talent team. China Unicom insisted on improving efficiency while controlling the overall quantity. The Company implemented target management for labour efficiency. In 2023, the labour productivity of the Company continued to improve, and the workforce size maintained stable. In response to the national policy for stabilising employment, the Company

recruited more than 10,000 talents through campus recruitment and social recruitment. The Company implemented the "New Seedling Scheme" in a unified manner. In 2023, the number of new employees from campus recruitment remained at a high level, which were mainly assigned to innovative fields. The training system for young employees was established to accelerate their growth and development.

China Unicom adhered to the top-level design and conducted a comprehensive analysis and planning of the leadership and management team in accordance with the Company's high-quality development needs for the next five years. The Company solidified the training of job performance capabilities, strengthened overall planning of training in various professional areas, carried out large-scale training programs to enhance professional competency, and continuously optimised the structure of management personnel qualities and capabilities. On the basis of giving full play to the enthusiasm of management personnel of all ages, the Company adopted systematic policies to continuously enhance the identification, cultivation, and utilisation outstanding young management talents, consistently enhancing the construction of the management personnel echelon. China Unicom continued to improve the supervision system for management personnel and



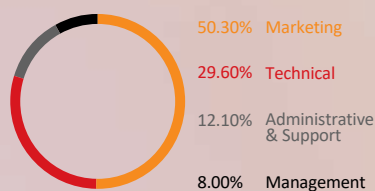
strengthened oversight of their performance. The Company continuously refined the appraisal and evaluation system, provided education and guidance to management personnel to firmly establish the correct performance perspective. It iteratively and deeply promoted the term-based system and contractual management for management personnel. The Company strengthened the performance-oriented approach and rationalised the distribution gap. Furthermore, the Company promoted upward and downward mobility for management personnel and continuously carried out normalised exit mechanisms to stimulate the vitality of the management team.

Focusing on the main responsibilities of “serving the Cyber Superpower and building a Digital China”, and centring around the main businesses of “Connectivity and Communications, Computing and Digital Smart Applications”, the Company prioritised the strategic execution training and innovation capabilities improvement for professionals and skilled talents. It also devised the annual key training programs for management and professional personnel. Based on the characteristics of skilled positions, the Company established standards to assess their capabilities, improved curriculum systems, implemented training empowerment, and conducted competency certification. This systematic implementation facilitated independent cultivation for key capabilities. China Unicom continued to carry out digital empowerment for key groups, aiming to enhance their performance capabilities and professional qualities.

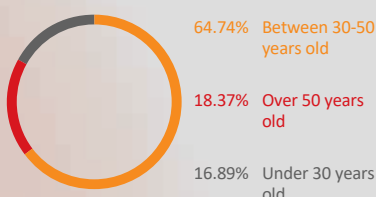
By strengthening the payroll management in full swing, China Unicom adhered to the principles of equivalence between remunerations and outcomes, as well as incentives and constraints, to reasonably determine the annual payroll budget. Focusing on value creation and efficiency enhancement, the Company upheld the incremental revenue sharing mechanism, breaking through the rigidity of the existing system and promoting continuous improvement in the input and output of human resources. The Company invested special resources to facilitate technological innovation and the creation of specialised and innovative capabilities. Highlighting the importance of core talents in key positions, the Company established incentive and constraint mechanisms that tailored to the unique skills and differential contributions of individual talents. China Unicom was committed to addressing structural contradictions in the distribution field, optimising the relationship of internal income distribution, and reasonably determining the remuneration levels among different groups. With the implementation of diversified incentives, the Company flexibly carried out medium and long-term incentive programs, and continued to operate the second phase of the restricted share incentive scheme for China United Network Communications Limited (“the A Share Company”), thereby building a community of shared interests and risks.

ANALYSIS OF STAFF COMPOSITION

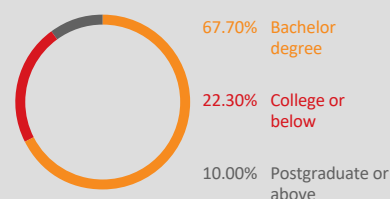
PERSONNEL BY PROFESSION



BY AGE



BY EDUCATION BACKGROUND



For further details of Human Resources Development, please refer to the relevant sections of the Company's detailed Sustainability Report 2023. Please visit the Company's website at www.chinaunicom.com.hk.

INDEPENDENT AUDITOR'S REPORT

Deloitte.

德勤

TO THE MEMBERS OF CHINA UNICOM (HONG KONG) LIMITED

(incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of China Unicom (Hong Kong) Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 93 to 201, which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSAs”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

Key audit matter

How our audit addressed the key audit matter

Revenue recognition

We identified revenue recognition as a key audit matter because there is an inherent industry risk around the accuracy of revenue recorded by the IT billing systems given the complexity of the systems and the significance of volumes of data processed by the systems.

Revenues from the provision of telecommunications services are, in general, recognised as performance obligations are satisfied. Fees for telecommunications packages are recognised for each service type in the packages. The data records are captured and the revenue transactions are recorded by the IT billing systems.

Details of the accounting policies for revenue recognition and an analysis of revenues are disclosed in Notes 2.25 and 6, respectively, to the consolidated financial statements.

Our procedures in relation to revenue recognition comprising both control testing and substantive procedures on a sample basis, included involving our internal IT specialists to assist with:

- Testing the IT environment in which the billing systems reside, including interface controls between different IT applications.
- Testing the key controls over the calculation of the amounts billed to customers and the capturing and recording of the revenue transactions.
- Testing the key controls over the authorisation of the rate changes and the input of such rates to the billing systems.
- Testing the end-to-end reconciliations from data records to the billing systems and to the general ledger.
- Testing the accuracy of customer bill calculations and the respective revenue transactions recorded.
- Testing revenue transactions by comparing the amounts recognised in general ledger to supporting documents, including customer bills, contracts and billing reports.

INDEPENDENT AUDITOR'S REPORT

Key audit matter

How our audit addressed the key audit matter

Impairment of goodwill and long-lived assets

We identified the impairment of goodwill and long-lived assets as a key audit matter because the impairment assessment of the cash-generating unit to which those assets belong requires the management to exercise significant judgments relating to the estimation of level of revenue, amount of operating costs and applicable discount rate.

Details of the accounting policies for impairment of goodwill and long-lived assets and the related accounting estimates are disclosed in Notes 2.8, 2.13 and 4.2, respectively, to the consolidated financial statements. Details of goodwill impairment assessment are disclosed in Note 17 to the consolidated financial statements.

Our procedures in relation to the impairment of goodwill and long-lived assets included:

- With the assistance of our internal valuation specialists, assessing the discount rate and assumptions used by the management in the value in use model and comparing the discount rate used by the management to externally derived data and our own assessments of key inputs used in deriving the discount rate.
- With the assistance of our internal valuation specialists, comparing the key inputs to the projected cash flows, such as the revenue growth rate and amount of operating costs, with corresponding historical data to evaluate the reasonableness of the management's projections.
- Assessing and challenging the significant judgments and estimates used in the management's impairment assessment and evaluating the sensitivity analysis performed by the management.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITOR'S REPORT

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Ip Kan Wah.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
19 March 2024

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2023

(All amounts in Renminbi ("RMB") millions, except per share data)

	Note	Year ended 31 December 2023	2022
Revenue	6	372,597	354,944
Interconnection charges		(11,294)	(10,947)
Depreciation and amortisation		(84,847)	(86,829)
Network, operation and support expenses	7	(60,026)	(56,425)
Employee benefit expenses	8	(62,939)	(60,726)
Costs of telecommunications products sold	9	(36,403)	(34,720)
Other operating expenses	10	(102,123)	(92,957)
Finance costs	11	(1,981)	(1,095)
Interest income		2,105	1,747
Share of net profit of associates		2,519	2,153
Share of net profit of joint ventures		1,803	1,593
Other income — net	12	3,534	3,850
Profit before income tax		22,945	20,588
Income tax expenses	13	(4,023)	(3,751)
Profit for the year		18,922	16,837
Profit attributable to:			
Equity shareholders of the Company		18,726	16,745
Non-controlling interests		196	92
Profit for the year		18,922	16,837
Earnings per share for profit attributable to equity shareholders of the Company during the year:			
Basic earnings per share (RMB)	14	0.61	0.55
Diluted earnings per share (RMB)	14	0.61	0.55

The notes on pages 102 to 201 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

(All amounts in RMB millions)

	Year ended 31 December	
	2023	2022
Profit for the year	18,922	16,837
Other comprehensive income		
Items that will not be reclassified to statement of income:		
Changes in fair value of financial assets measured at fair value through other comprehensive income ("FVOCI") (non-recycling)	195	(160)
Tax effect on changes in fair value of financial assets measured at FVOCI (non-recycling)	(4)	(2)
Changes in fair value of financial assets measured at FVOCI, net of tax (non-recycling)	191	(162)
Others	(5)	(5)
	186	(167)
Items that may be reclassified subsequently to statement of income:		
Changes in fair value of financial assets measured at FVOCI, net of tax (recycling)	43	(53)
Share of other comprehensive income of associates	2	2
Currency translation differences	88	408
	133	357
Other comprehensive income for the year, net of tax	319	190
Total comprehensive income for the year	19,241	17,027
Total comprehensive income attributable to:		
Equity shareholders of the Company	19,038	16,940
Non-controlling interests	203	87
Total comprehensive income for the year	19,241	17,027

The notes on pages 102 to 201 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

(All amounts in RMB millions)

	Note	As at 31 December 2023	2022
ASSETS			
Non-current assets			
Property, plant and equipment	15	355,995	352,433
Right-of-use assets	16	52,608	59,227
Goodwill	17	2,771	2,771
Interest in associates	19	44,188	42,469
Interest in joint ventures	20	10,240	8,582
Deferred income tax assets	13	817	469
Contract assets	21	86	61
Contract costs	22	8,493	5,857
Financial assets measured at fair value	23	5,217	4,109
Other assets	25	22,535	20,442
		502,950	496,420
Current assets			
Inventories	26	2,217	1,882
Contract assets	21	279	271
Accounts receivable	27	38,692	26,331
Prepayments and other current assets	28	26,208	21,155
Amounts due from ultimate holding company	45	4,610	4,606
Amounts due from related parties	45	588	465
Amounts due from domestic carriers		2,267	1,944
Financial assets measured at fair value	23	24,428	19,593
Short-term bank deposits and restricted deposits	24	11,079	14,699
Cash and cash equivalents	29	47,733	55,297
		158,101	146,243
Total assets		661,051	642,663

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

(All amounts in RMB millions)

	Note	As at 31 December 2023	2022
EQUITY			
Equity attributable to equity shareholders of the Company			
Share capital	30	254,056	254,056
Reserves	31	(12,912)	(15,234)
Retained profits			
— Proposed final dividend	32	4,088	3,335
— Others		106,242	99,462
		351,474	341,619
Non-controlling interests		2,424	1,917
Total equity		353,898	343,536
LIABILITIES			
Non-current liabilities			
Long-term bank loans	33	1,252	1,528
Lease liabilities	36	30,617	36,429
Deferred income tax liabilities	13	600	950
Deferred revenue	37	9,212	7,832
Amounts due to ultimate holding company	45	881	300
Other obligations	38	939	1,218
		43,501	48,257

	Note	As at 31 December 2023	2022
Current liabilities			
Short-term bank loans	39	681	331
Commercial papers	40	—	5,025
Current portion of long-term bank loans	33	354	368
Lease liabilities	36	12,640	12,495
Accounts payable and accrued liabilities	41	161,279	154,838
Bills payable		6,275	5,811
Taxes payable		3,547	2,197
Amounts due to ultimate holding company	45	1,033	1,759
Amounts due to related parties	45	25,924	18,326
Amounts due to domestic carriers		2,959	2,125
Current portion of other obligations	38	2,493	2,493
Contract liabilities	21	46,179	44,714
Advances from customers		288	388
		263,652	250,870
Total liabilities		307,153	299,127
Total equity and liabilities		661,051	642,663
Net current liabilities		(105,551)	(104,627)
Total assets less current liabilities		397,399	391,793

The notes on pages 102 to 201 are an integral part of these consolidated financial statements.

Approved and authorised for issue by the Board of Directors on 19 March 2024 and signed on behalf of the Board by:

Chen Zhongyue
Chairman and Chief Executive Officer

Li Yuzhuo
Executive Director and Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

(All amounts in RMB millions)

		Attributable to equity shareholders of the Company								
			General	Investment					Non-	Total
	Note	Share capital	risk reserve	revaluation reserve	Statutory reserves	Other reserves	Retained profits	Total	controlling interests	equity
Balance at 1 January 2022		254,056	987	(9,302)	32,815	(41,728)	95,509	332,337	1,096	333,433
Total comprehensive income for the year		—	—	(162)	—	357	16,745	16,940	87	17,027
Contribution from non-controlling interests		—	—	—	—	235	—	235	739	974
Share of associate's other reserves		—	—	—	—	38	—	38	—	38
Appropriation to statutory reserves		—	—	—	1,471	—	(1,471)	—	—	—
Dividends relating to 2021 final	32	—	—	—	—	—	(2,937)	(2,937)	—	(2,937)
Dividends relating to 2022 interim	32	—	—	—	—	—	(5,049)	(5,049)	—	(5,049)
Capital contribution relating to share-based payment borne by A Share Company (as defined in Note 1)	44	—	—	—	—	55	—	55	—	55
Others		—	—	—	—	—	—	—	(5)	(5)
Balance at 31 December 2022		254,056	987	(9,464)	34,286	(41,043)	102,797	341,619	1,917	343,536
Total comprehensive income for the year		—	—	187	—	125	18,726	19,038	203	19,241
Contribution from non-controlling interests		—	—	—	—	44	—	44	342	386
Appropriation to statutory reserves		—	—	—	1,647	—	(1,647)	—	—	—
Dividends relating to 2022 final	32	—	—	—	—	—	(3,335)	(3,335)	—	(3,335)
Dividends relating to 2023 interim	32	—	—	—	—	—	(6,211)	(6,211)	—	(6,211)
Capital contribution relating to share-based payment borne by A Share Company	44	—	—	—	—	282	—	282	—	282
Others		—	—	—	—	37	—	37	(38)	(1)
Balance at 31 December 2023		254,056	987	(9,277)	35,933	(40,555)	110,330	351,474	2,424	353,898

The notes on pages 102 to 201 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

(All amounts in RMB millions)

	Note	Year ended 31 December 2023	2022
Cash flows from operating activities			
Cash generated from operations		106,022	103,365
Interest received		2,105	1,747
Interest paid		(1,906)	(1,150)
Income tax paid		(3,830)	(3,425)
Net cash inflow from operating activities		102,391	100,537
Cash flows from investing activities			
Purchase of property, plant and equipment, right-of-use assets and other assets	(a)	(79,375)	(72,470)
Proceeds from disposal of property, plant and equipment and other assets		1,388	1,710
Acquisition of financial assets measured at fair value through profit or loss ("FVPL")		(1,230)	(1,741)
Proceeds from disposal of financial assets measured at FVPL		1,707	1,876
Acquisition of debt securities measured at FVOCI (recycling)		(22,980)	(17,630)
Proceeds from disposal of debt securities measured at FVOCI (recycling)		17,397	26,864
Proceeds from equity securities measured at FVOCI (non-recycling)		—	1
(Increase)/decrease in other financial assets measured at amortised cost		(5,424)	700
Dividends received from financial assets measured at FVOCI (non-recycling)		159	149
Acquisition of interest in associates		(776)	(1)
Acquisition of interest in joint ventures		(5)	—
Proceeds from disposal of associates and joint ventures		400	—
Dividends received from associates		1,246	998
Dividends received from joint venture		150	150
Placement of short-term bank deposits and restricted deposits		(11,015)	(9,818)
Release of short-term bank deposits and restricted deposits		12,815	7,300
Lending by Unicom Group Finance Company Limited ("Finance Company") to a related party		(5,700)	(11,800)
Repayment of loans from a related party to Finance Company		5,700	17,600
Net cash outflow from investing activities		(85,543)	(56,112)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

(All amounts in RMB millions)

	Note	Year ended 31 December	
		2023	2022
Cash flows from financing activities			
Capital contributions from non-controlling interests		386	867
Proceeds from bank loans and other obligations		711	330
Proceeds from commercial papers		—	5,000
Loans from related parties		583	471
Repayment of short-term bank loans		(330)	(385)
Repayment of long-term bank loans		(385)	(420)
Repayment of commercial papers		(5,000)	(6,800)
Repayment of related party loans		(913)	—
Repayment of promissory notes		—	(1,000)
Repayment of corporate bonds		—	(2,000)
Capital element of lease rentals paid		(12,103)	(13,373)
Payment of issuing expense for commercial papers		—	(5)
Dividends paid to equity shareholders of the Company		(9,546)	(7,986)
Net deposits with Finance Company		949	621
Decrease in statutory reserve deposits placed by Finance Company		1,542	870
Repayment of other obligations		(409)	—
Net cash outflow from financing activities		(24,515)	(23,810)
Net (decrease)/increase in cash and cash equivalents		(7,667)	20,615
Cash and cash equivalents, beginning of year		55,297	34,280
Effect of changes in foreign exchange rate		103	402
Total cash and cash equivalents, end of year	29	47,733	55,297
Analysis of the balances of cash and cash equivalents:			
Cash balances		—	—
Bank balances		47,733	55,297
		47,733	55,297

- (a) Major non-cash transaction: On 13 December 2022, the Board of Directors of the Company approved China United Network Communications Corporation Limited (“CUCL”) and China Tower Corporation Limited (“Tower Company”) to sign the commercial pricing agreement and the service agreement, which constituted a lease modification under HKFRS 16, “Leases”, the transaction has no impact on the consolidated statement of cash flows for the year ended 31 December 2022. Details of this transaction are set out in Note 16 and Note 45.

The notes on pages 102 to 201 are an integral part of these consolidated financial statements.

The reconciliation of profit before income tax to cash generated from operations is as follows:

	Year ended 31 December	
	2023	2022
Profit before income tax	22,945	20,588
Adjustments for:		
Depreciation and amortisation	84,847	86,829
Interest income	(2,105)	(1,747)
Finance costs	1,956	1,046
Loss on disposal of property, plant and equipment	1,181	1,882
Impairment losses under expected credit loss ("ECL") model and write-down of inventories	6,356	6,918
Dividends from financial assets measured at FVOCI (non-recycling)	(159)	(149)
Gains on disposal of financial assets measured at FVPL	(14)	(72)
Gains on disposal of financial assets measured at FVOCI (recycling)	(1)	—
Dividends from financial assets at FVPL	(2)	—
Investment income from debt securities measured at FVOCI (recycling)	(424)	(438)
Fair value gains on financial assets measured at FVPL	(114)	(24)
Share of net profit of associates	(2,519)	(2,153)
Share of net profit of joint ventures	(1,803)	(1,593)
Expenses for restricted shares of A Share Company granted to the Group's employees	282	55
Changes in working capital:		
Increase in accounts receivable	(18,212)	(13,718)
(Increase)/decrease in contract assets	(28)	147
Increase in contract costs	(8,498)	(5,529)
Increase in inventories	(94)	(338)
Decrease/(increase) in restricted deposits	278	(1,083)
Increase in other assets	(199)	(1,108)
Increase in prepayments and other current assets	(193)	(3,611)
(Increase)/decrease in amounts due from ultimate holding company	(4)	188
Increase in amounts due from related parties	(123)	(195)
(Increase)/decrease in amounts due from domestic carriers	(323)	63
Increase in accounts payable and accrued liabilities	12,124	14,866
Increase in other taxes payable	515	742
(Decrease)/increase in advances from customers	(100)	266
Increase/(decrease) in contract liabilities	1,465	(990)
Increase in deferred revenue	1,464	980
(Decrease)/increase in other obligations	(49)	83
Increase/(decrease) in amounts due to ultimate holding company	25	(2,440)
Increase in amounts due to related parties	6,714	4,037
Increase/(decrease) in amounts due to domestic carriers	834	(137)
Cash generated from operations	106,022	103,365

The notes on pages 102 to 201 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(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 (“Unicom Group BVI”). 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 2023, current liabilities of the Group exceeded current assets by approximately RMB105.6 billion (2022: approximately RMB104.6 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 RMB201.0 billion of revolving banking facilities of which approximately RMB190.1 billion was unutilised as at 31 December 2023; 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 2023 have been prepared on a going concern basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(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) New Accounting Standards and Amendments

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

- HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17), “Insurance Contracts”
- Amendments to HKAS 8, “Definition of Accounting Estimates”
- Amendments to HKAS 12, “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”
- Amendments to HKAS 12, “International Tax Reform-Pillar Two Model Rules”
- Amendments to HKAS 1 and HKFRS Practice Statement 2, “Disclosure of Accounting Policies”

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 “Definition of a Lease — Substitution Rights” (IFRS 16, “Leases”), which is relevant to the Group. Given that HKFRSs contain wordings that are almost identical to the equivalent IFRS Standards except for minor differences, the agenda decision of the Committee is equally applicable to the Group.

The amendments to HKAS 12, “Deferred Tax related to Assets and Liabilities arising from a Single Transaction” narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12, “Income Taxes” so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.2 Basis of preparation (Continued)

(c) New Accounting Standards and Amendments (Continued)

In accordance with the transition provision:

- (i) the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after 1 January 2022;
- (ii) the Group also, as at 1 January 2022, recognised a deferred tax asset (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 deductible and taxable temporary difference associated with right-of-use-assets and lease liabilities.

The application of the amendments has had no material impact on the Group's financial position and performance, except that the Group disclosed the related deferred tax liabilities and deferred tax assets on a gross basis in Note 13 which had no impact on the retained profits at the earliest period presented.

Except for the effect mentioned above, the application of the above new and amendments and agenda decisions 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.

(d) Amendments to HKFRSs in issue but not yet effective:

The HKICPA has issued a number of amendments to HKFRSs which are not yet effective for the year ended 31 December 2023 and which have not been early adopted in these consolidated financial statements.

	Effective for accounting periods beginning on or after
• Amendments to HKAS 1, "Classification of Liabilities as Current or Non-current" and related amendments to Hong Kong Interpretation 5 (2020)	1 January 2024
• Amendments to HKAS 1, "Non-current Liabilities with Covenants"	1 January 2024
• 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 16, "Lease Liability in a Sale and Leaseback"	1 January 2024
• Amendments to HKAS 7 and HKFRS 7, "Supplier Finance Arrangements"	1 January 2024
• Amendments to HKAS 21, "Lack of Exchangeability"	1 January 2025

The Group has not applied any amendments to HKFRSs that is not yet effective for the current accounting period. The Group is assessing the impact of such amendments to standards, and will adopt the relevant amendments in the subsequent periods as required. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(All amounts in RMB millions unless otherwise stated)

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

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.

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") issued by the HKICPA in 2005.

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.

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.3 Subsidiaries and non-controlling interests (Continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(All amounts in RMB millions unless otherwise stated)

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.4 Associates, joint ventures and joint arrangement (Continued)

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.

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. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(All amounts in RMB millions unless otherwise stated)

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.

(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%

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.7 Property, plant and equipment (Continued)

(c) Depreciation (Continued)

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.

(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).

2.9 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(All amounts in RMB millions unless otherwise stated)

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.9 Contract costs (Continued)

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.

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, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(All amounts in RMB millions unless otherwise stated)

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 the collection of contractual cash flows and sale. 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.

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, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(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)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(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)

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.

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 Unicompany 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(All amounts in RMB millions unless otherwise stated)

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.20 Borrowings

Borrowings including bank loans and commercial papers 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.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the date of the statement of financial position.

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 2023 and 2022, 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.

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 2023, the amount of the liability was RMB117 million (2022: RMB109 million). The remeasurement of liability is recognised in other comprehensive income, which is not allowed to reverse to profit or loss in subsequent period.

(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).

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(All amounts in RMB millions unless otherwise stated)

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

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 payment 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.

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.

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.25 Revenue recognition (Continued)

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.

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 2023

(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.

(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 2023

(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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(All amounts in RMB millions unless otherwise stated)

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.

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 2023, research and development expenditure recognised as expense in the consolidated statement of income was RMB8,099 million (2022: RMB6,836 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(All amounts in RMB millions unless otherwise stated)

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.

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 of 2023 and 2022, 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 2023 and 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(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)

	Original currency millions	2023 Exchange rate	RMB equivalent millions	Original currency millions	2022 Exchange rate	RMB equivalent millions
Cash and cash equivalents:						
— denominated in HK dollars	55	0.91	50	38	0.89	34
— denominated in US dollars	698	7.08	4,945	692	6.96	4,818
— denominated in Euro	22	7.86	176	19	7.42	139
— denominated in Japanese Yen ("JPY")	199	0.05	10	19	0.05	1
— denominated in Great Britain Pound ("GBP")	—	9.04	2	—	8.39	—
— denominated in Singapore dollars ("SGD")	28	5.38	149	28	5.18	147
— denominated in Australian dollars ("AUD")	—	4.85	1	—	4.71	2
Sub-total			5,333			5,141
Accounts receivable:						
— denominated in HK dollars	—	0.91	—	—	0.89	—
— denominated in US dollars	79	7.08	560	112	6.96	780
— denominated in Euro	2	7.86	16	2	7.42	15
— denominated in JPY	856	0.05	43	1,396	0.05	73
— denominated in GBP	4	9.04	36	2	8.39	17
— denominated in SGD	33	5.38	177	26	5.18	135
— denominated in AUD	5	4.85	24	7	4.71	33
Sub-total			856			1,053
Financial assets measured at FVOCI:						
— denominated in Euro	227	7.86	1,783	217	7.42	1,613
Capital bonds measured at amortised cost:						
— denominated in US dollars	61	7.08	433	—	6.96	—
Total			8,405			7,807
Borrowings:						
— denominated in US dollars	22	7.08	153	25	6.96	171
— denominated in Euro	1	7.86	10	1	7.42	11
Sub-total			163			182
Accounts payable:						
— denominated in HK dollars	1,084	0.91	982	400	0.89	357
— denominated in US dollars	97	7.08	687	61	6.96	425
— denominated in Euro	6	7.86	47	1	7.42	7
— denominated in JPY	—	0.05	—	—	0.05	—
— denominated in GBP	—	9.04	—	1	8.39	8
— denominated in SGD	—	5.38	—	6	5.18	31
Sub-total			1,716			828
Total			1,879			1,010

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 2023, 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 RMB356 million (2022: approximately RMB389 million) for monetary assets and liabilities denominated in foreign currencies, and other comprehensive income would increase/decrease approximately RMB178 million (2022: approximately RMB161 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 2023, 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 RMB178 million (2022: approximately RMB161 million). The listed investments measured at FVPL comprise primarily equity securities of certain PRC listed companies. As at 31 December 2023, if the price of the respective listed equity securities had increased/decreased by 10%, profit after tax would increase/decrease approximately RMB8 million (2022: approximately RMB7 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 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 deposits are all short-term in nature and the interest involved will not be significant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(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, commercial papers, 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 of 2023 and 2022, 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 of 2023 and 2022.

As at 31 December 2023, the Group had approximately RMB9,044 million (2022: approximately RMB12,598 million) of long-term and short-term borrowings in floating rates and approximately RMB45,127 million (2022: approximately RMB51,562 million) of long-term borrowings and lease liabilities in fixed rates.

For the year ended 31 December 2023, 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 RMB34 million (2022: approximately RMB47 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 short-term 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 short-term bank deposits, the Group primarily places cash and cash equivalents and short-term 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 2023

(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 including the raising of bank loans and issuance of commercial papers. 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 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
At 31 December 2022					
Long-term bank loans	388	370	719	692	1,896
Lease liabilities	12,750	11,055	28,272	1,313	48,924
Other obligations	2,497	256	872	92	3,711
Short-term bank loans	334	—	—	—	331
Commercial papers	5,083	—	—	—	5,025
Accounts payable and accrued liabilities	154,838	—	—	—	154,838
Bills payable	5,811	—	—	—	5,811
Amounts due to ultimate holding company	1,759	—	326	—	2,059
Amounts due to related parties	18,326	—	—	—	18,326
Amounts due to domestic carriers	2,125	—	—	—	2,125
	203,911	11,681	30,189	2,097	243,046

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.

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 commercial papers, 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 of RMB7,746 million, as at 31 December 2023 (2022: RMB6,779 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(All amounts in RMB millions unless otherwise stated)

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 2023	31 December 2022
Interest-bearing debts:		
— Short-term bank loans	681	331
— Long-term bank loans	1,252	1,528
— Commercial papers	—	5,025
— Lease liabilities (non-current portion)	30,617	36,429
— Amounts due to related parties	—	742
— Amounts due to ultimate holding company	881	471
— Current portion of long-term bank loans	354	368
— Lease liabilities (current portion)	12,640	12,495
	46,425	57,389
Total equity	353,898	343,536
Interest-bearing debts plus total equity	400,323	400,925
Debt-to-capitalisation ratio	11.6%	14.3%

3.3 Fair value estimation

Financial assets of the Group mainly include cash and cash equivalents, 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, commercial papers, long-term bank loans, other obligations and amounts due to ultimate holding company, related parties and domestic carriers.

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 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

The following table presents the Group's assets that are measured at fair value as at 31 December 2022:

	Level 1	Level 2	Level 3	Total
Recurring fair value measurement:				
Equity securities measured at FVOCI (non-recycling)	1,733	—	114	1,847
Financial assets measured at FVPL	2,805	40	1,240	4,085
Debt securities measured at FVOCI (recycling)	17,770	—	—	17,770
Total	22,308	40	1,354	23,702

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(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 (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 2023 and 2022, there were no 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 2023 and 2022, 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 2023	Fair value as at 31 December 2023	Fair value measurements as at 31 December 2023 categorised into			Carrying amounts as at 31 December 2022	Fair value as at 31 December 2022
			Level 1	Level 2	Level 3		
Capital bonds	433	433	—	433	—	—	—
Non-current portion of long-term bank loans	1,252	1,318	—	1,318	—	1,528	1,571
Non-current portion of amounts due to ultimate holding company	881	837	—	837	—	300	291

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 4.20% (2022: 0.57% to 4.35%) per annum. The fair values of capital bonds is based on the expected cash flows of principal and interests discounted at market rate of 5.35% per annum.

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 2023 and 2022 due to the nature or short maturity of those instruments.

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 2023 and 2022.

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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(All amounts in RMB millions unless otherwise stated)

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:

	2023	2022
Voice usage and monthly fees	21,207	21,303
Broadband and mobile data services	154,748	155,918
Data and internet application services	89,645	77,780
Other value-added services	29,190	26,170
Interconnection fees	12,878	12,947
Transmission lines usage and associated services	22,666	20,448
Other services	4,836	4,782
Total service revenue	335,170	319,348
Sales of telecommunications products	37,427	35,596
Total	372,597	354,944
Include: Revenue from contracts with customers within the scope of HKFRS 15	371,324	353,835
Revenue from other sources	1,273	1,109

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	2023	2022
Repairs and maintenance		11,872	12,216
Power and water charges		14,295	15,088
Charges for use of network, premises, equipment and facilities	(i), (iii)	20,306	15,816
Charges for use of tower assets	(ii), (iii)	11,208	11,070
Others		2,345	2,235
		60,026	56,425

(i) During the years ended 31 December 2023 and 2022, charges for use of network, premises, equipment and facilities mainly included the non-lease components 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 2023 and 2022, 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 Tower Company, see Note 45.3.

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

	2023	2022
Expense relating to short-term leases and leases of low value assets	2,100	1,771
Variable lease payments not included in the measurement of lease liabilities*	8,097	7,243

* During the years ended 31 December 2023 and 2022, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(All amounts in RMB millions unless otherwise stated)

8. EMPLOYEE BENEFIT EXPENSES

	Note	2023	2022
Salaries and wages		45,522	44,813
Contributions to defined contribution pension schemes		9,067	8,423
Contributions to medical insurance		3,594	3,239
Contributions to housing fund		4,460	4,174
Other housing benefits		14	22
Share-based compensation	44	282	55
		62,939	60,726

8.1 Directors' emoluments

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		442	—	—	—	442
Chung Shui Ming Timpson		451	—	—	—	451
Law Fan Chiu Fun Fanny		415	—	—	—	415
		1,741	1,991	1,218	546	5,496

8. EMPLOYEE BENEFIT EXPENSES (Continued)

8.1 Directors' emoluments (Continued)

The remuneration of each director for the year of 2022 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)
Liu Liehong		—	364	352	140	856
Chen Zhongyue		—	591	352	140	1,083
Wang Junzhi		—	240	316	140	696
Li Yuzhuo	(c)	—	176	264	118	558
Mai Yanzhou	(d)	—	425	132	55	612
Cheung Wing Lam Linus		414	—	—	—	414
Wong Wai Ming		423	—	—	—	423
Chung Shui Ming Timpson		431	—	—	—	431
Law Fan Chiu Fun Fanny		397	—	—	—	397
		1,665	1,796	1,416	593	5,470

* In addition, according to the "Notice on the Compensation Information Disclosure of the Central Government Controlled Enterprises" (Guozifenpei [2016] No.339) (translated from 《關於做好中央企業負責人薪酬信息披露工作的通知》(國資分配[2016]339號)), certain directors were also entitled to deferred bonuses in relation to the years of 2019 to 2021. The deferred bonuses paid to Mr. Liu Liehong, Mr. Chen Zhongyue, Mr. Wang Junzhi and Mr. Mai Yanzhou were RMB74,000, RMB203,500, RMB16,600 and RMB586,000 respectively.

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) Ms. Li Yuzhuo was appointed as executive director and chief financial officer on 28 February 2022.
- (d) Mr. Mai Yanzhou was appointed as executive director on 28 February 2022 and resigned as executive director on 30 May 2022.

During the years of 2023 and 2022, no share options were granted to the directors.

No directors waived the right to receive emoluments during the years ended 31 December 2023 and 2022.

During the years of 2023 and 2022, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(All amounts in RMB millions unless otherwise stated)

8. EMPLOYEE BENEFIT EXPENSES (Continued)

8.2 Senior management's emoluments

Of the eight (2022: seven) senior management of the Company for the year ended 31 December 2023, four (2022: four) of them are directors of the Company and their remuneration has been disclosed in Note 8.1. For the remuneration of the remaining four (2022: three) senior management all fall within the band from RMBNil to RMB1,000,000 (2022: two fall within the band from RMBNil to RMB1,000,000 and one falls within the band from RMB1,000,001 to RMB1,500,000).

8.3 Five highest paid individuals

Of the five highest paid individuals for the year ended 31 December 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 (2022: five of them are staffs and one falls within the band from RMB2,000,001 to RMB2,500,000, two 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, and one falls within the band from RMB4,000,001 to RMB4,500,000).

The aggregate of the emoluments in respect of the five (2022: five) highest paid individuals are as follows:

	2023 (RMB'000)	2022 (RMB'000)
Salaries and allowances	3,929	1,579
Bonuses paid and payable	8,659	12,334
Contributions to pension schemes	1,996	993
	14,584	14,906

During the years of 2023 and 2022, 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.

9. COSTS OF TELECOMMUNICATIONS PRODUCTS SOLD

	2023	2022
Handsets and other telecommunication products	36,009	34,152
Others	394	568
	36,403	34,720

10. OTHER OPERATING EXPENSES

	Note	2023	2022
Impairment losses under ECL, net of reversal		6,141	6,552
Write-down of inventories		215	366
Commission and other service expenses		25,680	24,537
Advertising and promotion expenses		2,130	2,717
Internet access terminal maintenance expenses		2,551	2,267
Customer retention costs		3,340	3,370
Auditors' remuneration:			
— Audit of the financial statements		44	42
— Other special audit and assurance services		11	6
— Non-audit services		16	4
Property management fee		2,791	2,704
Office and administrative expenses		1,940	1,285
Transportation expense		752	786
Miscellaneous taxes and fees		1,539	1,395
Service technical support expenses		47,076	39,374
Repairs and maintenance expenses		519	628
Loss on disposal of property, plant and equipment	15	1,181	1,882
Others		6,197	5,042
		102,123	92,957

11. FINANCE COSTS

	Note	2023	2022
Finance costs:			
— Interest on corporate bonds, promissory notes and commercial papers		59	111
— Interest on lease liabilities		1,717	802
— Interest on related party loans		134	93
— Interest on bank loans and others		87	82
— Less: Amounts capitalised in CIP	15	(16)	(28)
Total interest expense		1,981	1,060
— Net exchange gain		(55)	(15)
— Others		55	50
		1,981	1,095

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(All amounts in RMB millions unless otherwise stated)

12. OTHER INCOME — NET

	2023	2022
Dividend from financial assets measured at FVOCI (non-recycling)	159	149
Government grants	995	872
Additional deduction for VAT	1,912	2,325
Investment income from debt securities measured at FVOCI (recycling)	424	438
Fair value gains on financial assets measured at FVPL	114	24
Gains on disposal of financial assets measured at FVPL	14	72
Others	(84)	(30)
	3,534	3,850

13. TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 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 the PRC and the applicable statutory enterprise income tax rate is 25% (2022: 25%). Taxation for certain subsidiaries in the PRC was calculated at a preferential tax rate of 15% (2022: 15%).

	2023	2022
Provision for income tax on the estimated taxable profits for the year		
— Hong Kong	77	36
— Mainland China and other jurisdictions	4,630	3,422
Over provision in respect of prior years	(8)	(58)
	4,699	3,400
Deferred taxation	(676)	351
Income tax expenses	4,023	3,751

13. TAXATION (Continued)

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

	Note	2023	2022
Profit before income tax		22,945	20,588
Expected income tax expense at PRC statutory tax rate of 25%		5,736	5,147
Impact of different tax rates outside Mainland China		(51)	(40)
Tax effect of preferential tax rate	(i)	(150)	(155)
Additional deduction for qualified research and development costs	(i)	(921)	(662)
Tax effect of non-deductible expenses		461	329
Tax effect of non-taxable income from share of net profit of joint ventures		(451)	(398)
Tax effect of non-taxable income from share of net profit of associates		(565)	(473)
Over provision in respect of prior years		(8)	(58)
Tax effect of unused tax losses not recognised, net of utilisation	(ii)	(28)	61
Actual tax expense		4,023	3,751

(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% (2022: 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% (2022: 15%), and certain research and development costs of the Group's PRC subsidiaries are qualified for 100% (2022: 75% for the first three quarters and 100% for the fourth quarter) additional deduction for tax purpose.

(ii) As at 31 December 2023, the Group did not recognise deferred tax assets in respect of tax losses amounting to approximately RMB334 million (2022: approximately RMB446 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 2024 to 2033.

As at 31 December 2023, 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 RMB9,682 million (2022: approximately RMB9,852 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 2023

(All amounts in RMB millions unless otherwise stated)

13. TAXATION (Continued)

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

	2023	2022
Net deferred tax assets after offsetting:		
— Beginning of year	469	271
— Deferred tax credited to the consolidated statement of income	315	189
— Deferred tax (charged)/credited to other comprehensive income	(7)	9
— Deferred tax credited to reserves	40	—
— End of year	817	469
Net deferred tax liabilities after offsetting:		
— Beginning of year	(950)	(417)
— Deferred tax credited/(charged) to the consolidated statement of income	361	(540)
— Deferred tax (charged)/credited to other comprehensive income	(11)	7
— End of year	(600)	(950)

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 2022	2,623	1,209	34	4,743	250	(12,868)	(4,664)	5,067	3,460	(146)
Credited/(charged) to the consolidated statement of income	1,168	(47)	(25)	1,127	(65)	(3,603)	(7,134)	7,115	1,113	(351)
Credited to other comprehensive income	—	—	—	—	—	—	—	—	16	16
At 31 December 2022	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

13. TAXATION (Continued)

- (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.

14. EARNINGS PER SHARE

Basic earnings per share for the years ended 31 December 2023 and 2022 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 2023 and 2022 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 2023 and 2022.

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

	2023	2022
Numerator (in RMB millions):		
Profit attributable to equity shareholders of the Company used in computing basic/diluted earnings per share	18,726	16,745
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)	0.61	0.55

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(All amounts in RMB millions unless otherwise stated)

15. PROPERTY, PLANT AND EQUIPMENT

The movements of property, plant and equipment for the years ended 31 December 2023 and 2022 are as follows:

	2023					Total
	Buildings	Tele-communications equipment	Office furniture, fixtures, motor vehicles and other equipment	Leasehold improvements	CIP	
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

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

	2022					
	Buildings	Tele-communications equipment	Office furniture, fixtures, motor vehicles and other equipment	Leasehold improvements	CIP	Total
Cost:						
Beginning of year	78,179	831,045	19,825	3,336	43,411	975,796
Additions	23	553	455	66	72,329	73,426
Transfer from CIP	1,573	56,007	1,323	257	(59,160)	—
Transfer to other assets	—	—	—	—	(7,959)	(7,959)
Disposals	(491)	(59,885)	(1,948)	(566)	(41)	(62,931)
End of year	79,284	827,720	19,655	3,093	48,580	978,332
Accumulated depreciation and impairment:						
Beginning of year	(41,674)	(561,526)	(15,008)	(2,418)	(139)	(620,765)
Charge for the year	(2,707)	(60,279)	(1,299)	(302)	(2)	(64,589)
Disposals	408	56,927	1,710	369	41	59,455
End of year	(43,973)	(564,878)	(14,597)	(2,351)	(100)	(625,899)
Net book value:						
End of year	35,311	262,842	5,058	742	48,480	352,433
Beginning of year	36,505	269,519	4,817	918	43,272	355,031

For the year ended 31 December 2023, interest expense of approximately RMB16 million (2022: approximately RMB28 million) was capitalised in CIP. The capitalised borrowing rate represented the cost of capital for raising the related borrowings and varied from 1.45% to 2.80% for the year ended 31 December 2023 (2022: 2.29% to 2.71%).

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 RMB2,192 million (2022: RMB3,476 million) for consideration of RMB1,011 million (2022: RMB1,594 million) for the year ended 31 December 2023, resulting in a net loss of approximately RMB1,181 million for the year ended 31 December 2023 (2022: approximately RMB1,882 million).

In 2022, the Group adjusted the residual value of certain optical cable assets from 3% to 0% due to the increasing removal costs and decreasing recycling value. The change was accounted for as a change in accounting estimate in accordance with HKAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors" effect from 1 December 2022 using the prospective application method. The depreciation and amortisation for the year ended 31 December 2022 increased by approximately RMB2,350 million as a result of the aforesaid changes in accounting estimates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(All amounts in RMB millions unless otherwise stated)

16. RIGHT-OF-USE ASSETS

	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

16. RIGHT-OF-USE ASSETS (Continued)

	2022				
	Buildings	Tele-communications equipment	Land use rights	Others	Total
Cost:					
Beginning of year	15,840	44,930	13,971	1,337	76,078
Additions	4,876	34,478	248	643	40,245
Disposals	(2,274)	(850)	(221)	(88)	(3,433)
End of year	18,442	78,558	13,998	1,892	112,890
Accumulated depreciation and impairment:					
Beginning of year	(8,104)	(29,691)	(5,037)	(380)	(43,212)
Charge for the year	(3,806)	(8,788)	(300)	(542)	(13,436)
Disposals	2,137	728	32	88	2,985
End of year	(9,773)	(37,751)	(5,305)	(834)	(53,663)
Net book value:					
End of year	8,669	40,807	8,693	1,058	59,227
Beginning of year	7,736	15,239	8,934	957	32,866

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in Note 36.

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, which constituted a lease modification under HKFRS 16, "Leases". In accordance with HKFRS 16, the lease liabilities are remeasured based on the lease term of the modified lease by discounting the revised lease payments using revised discount rates at the effective date of the modification. Details of this transaction are set out in Note 45.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(All amounts in RMB millions unless otherwise stated)

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 (2022: 1%), and the applicable discount rate of 11% (2022: 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 2023 and 2022, 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 2023, 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		
CUCL	The PRC, 21 April 2000, limited liability company	100%	—	RMB213,044,797,828	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

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 (Singapore) Operations Pte Limited	Singapore, 5 August 2009, limited company	—	100%	80,000,000 shares, RMB1 each	Telecommunications operation in Singapore
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%	17,685,920 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 Limited	Brazil, 23 June 2016, limited liability company	—	100%	R\$35,595,387	Telecommunications service in Brazil
China Unicom (Brazil) Holdings Ltda.	Brazil, 27 October 2017, limited liability company	—	100%	R\$34,605,225	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(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 (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
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%	RMB8,993,177,616	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%	RMB573,333,335	Provision of consultancy, survey, design and engineering procurement construction services relating to information projects and construction projects in the telecommunications industry in the PRC

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 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 services in the PRC
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%	RMB30,000,000	Provision of technical 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(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 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 (Beijing) 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
Lianchuangqianxian (Guizhou) Technology Service Co., Ltd.	The PRC, 8 October 2016, limited liability company	—	60%	RMB1,000,000	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
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 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 (Zhejiang) Industry Internet Company Limited	The PRC, 20 June 2017, limited liability company	—	100%	RMB61,000,000	Provision of information system integration business in the PRC
China Unicom (ShanDong) Industrial Internet Company Limited	The PRC, 3 March 2017, limited liability company	—	100%	RMB100,000,000	Provision of information system integration 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 integration 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 integration business in the PRC
China Unicom Xiongan Industrial Internet Company Limited	The PRC, 25 April 2018, limited liability company	—	100%	RMB724,342,600	Provision of information system integration business in the PRC
China Unicom (Sichuan) Industrial Internet Company Limited	The PRC, 29 March 2018, limited liability company	—	100%	RMB100,000,000	Provision of information system integration 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 integration 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 integration business in the PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(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 (Shanghai) Industrial Internet Company Limited	The PRC, 13 March 2018, limited liability company	—	100%	RMB70,000,000	Provision of information system integration 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 integration 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 integration 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
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

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 Leasing Co., Ltd.	The PRC, 11 April 2018, limited liability company	25%	75%	RMB2,500,000,000	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%	RMB10,000,000	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
Yichun Digital Economy Industry Operation Co., Ltd	The PRC, 14 December 2020, limited liability company	—	51%	RMB22,650,000	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 liability company	—	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
China Unicom Spirit Realm Video (Jiangxi) Technology Company Limited	The PRC, 9 July 2021, limited liability company	—	100%	RMB3,000,000	Provision of internet and telecommunication value added business in the PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(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 Innovation Investment Company (Shanghai), 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	The PRC, 6 September 2021, limited liability company	—	100%	RMB50,000,000	Provision of information technology consultation services
China Unicom Zhiyu (Shanghai) Information Service and Technology Co., Ltd	The PRC, 5 June 2018, limited liability company	—	70%	RMB1,000,000	Provision of business incubator management in the PRC
Lian Kuan (Wuhan) Investment Center (Limited Partnership)	The PRC, 24 July 2020, limited liability company	—	87.47%	RMB8,715,000	Provision of investment business in the PRC
Lingang Data Intelligence Technology (Shanghai) Co., Ltd.	The PRC, December 29 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%	RMB600,000,000	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

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 (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
China Unicom (Henan) Industrial Internet Company Limited	The PRC, 22 August 2022, limited liability company	—	100%	RMB50,000,000	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(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 (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
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	—	46.63%	RMB125,093,498	Provision of technology service, development, consultation, communication, transfer and promotion in the PRC
Nebula Times Technology Co.,Ltd.	The PRC, 26 April 2023, limited liability company	—	48%	RMB135,000,000	Provision of internet connection and relevant 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 2023 (2022: none except for CUCL, which has issued commercial papers, in which the Group has no interest). Details of the issued debt securities are disclosed in Note 40.

19. INTEREST IN ASSOCIATES

	2023	2022
Share of net assets	44,188	42,469

The following list contains the particulars of a material associate as at 31 December 2023:

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 45.3)

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 2023	2022
Current assets	78,083	49,706
Non-current assets	247,924	255,854
Current liabilities	(63,934)	(65,158)
Non-current liabilities	(64,379)	(46,811)
Equity	(197,694)	(193,591)
Revenue	94,009	92,170
Profit for the year	9,750	8,787
Total comprehensive income for the year	9,756	8,787
Reconciled to the Group's interest in the associate:		
Net assets of the associate	197,694	193,591
The Group's effective interest	20.65%	20.65%
Adjustment for the remaining balance of the deferred gain from the transactions with Tower Company	40,824	39,977
	(479)	(740)
Carrying amount in the consolidated financial statements	40,345	39,237

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(All amounts in RMB millions unless otherwise stated)

19. INTEREST IN ASSOCIATES (Continued)

The fair values of the interests in Tower Company is based on quoted market prices (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 2023		As at 31 December 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Interest in listed associate				
— Tower Company	40,345	27,009	39,237	27,273

Aggregate information of associates that are not individually material:

	2023	2022
The Group's share of profit	115	(5)
The Group's share of other comprehensive income	—	2
The Group's share of total comprehensive income	115	(3)
Aggregate carrying amount of the Group's interest in these associates	3,843	3,232

20. INTEREST IN JOINT VENTURES

	2023	2022
Share of net assets	10,240	8,582

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 2023:

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

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	
	2023	2022
Assets	176,421	164,346
Liabilities	(156,054)	(147,279)
Equity	(20,367)	(17,067)
Revenue	19,602	17,501
Profit for the year	3,600	3,329
Total comprehensive income for the year	3,600	3,329
Included in above income:		
Interest income	24,943	22,079
Interest expense	(4,408)	(4,175)
Income tax expense	(533)	(500)
Reconciled to the Group's interests in the joint venture:		
Net assets of the joint venture	20,367	17,067
The Group's effective interest	50%	50%
Carrying amount in the consolidated financial statements	10,184	8,533
Aggregate information of joint ventures that are not individually material:		
	2023	2022
The Group's share of profit	3	(70)
The Group's share of other comprehensive income	—	—
The Group's share of total comprehensive income	3	(70)
Aggregate carrying amount of the Group's interest in these joint ventures	56	49

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(All amounts in RMB millions unless otherwise stated)

21. CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	2023	2022
Contract assets from bundle sales of mobile handsets and provision of service, net of allowance	201	263
Others	164	69
Sub-total	365	332
Less: Current portion	(279)	(271)
	86	61

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	2023	2022
Advances received from customers for future services	(i)	44,913	43,437
Others		1,266	1,277
		46,179	44,714

- (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 2022 was recognised as revenue for the year ended 31 December 2023.

22. CONTRACT COSTS

	Note	2023	2022
Direct incremental costs of broadband and internet protocol television ("IPTV") service	(i)	8,368	5,557
Sales commissions	(ii)	125	300
		8,493	5,857

- (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 RMB5,855 million (2022: RMB3,659 million). There was no significant impairment in relation to the capitalised costs as at 31 December 2023 (2022: 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 RMB175 million (2022: RMB450 million). There was no significant impairment in relation to capitalised costs as at 31 December 2023 (2022: Nil).

23. FINANCIAL ASSETS MEASURED AT FAIR VALUE

	Note	2023	2022
Non-current portion:			
Equity securities measured at FVOCI (non-recycling)	(i)	2,042	1,847
Financial assets measured at FVPL	(ii)	1,158	1,130
Debt securities measured at FVOCI (recycling)	(iii)	2,017	1,132
		5,217	4,109
Current portion:			
Financial assets measured at FVPL	(ii)	2,608	2,955
Debt securities measured at FVOCI (recycling)	(iii)	21,820	16,638
		24,428	19,593
		29,645	23,702

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(All amounts in RMB millions unless otherwise stated)

23. FINANCIAL ASSETS MEASURED AT FAIR VALUE (Continued)

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

	Note	2023	2022
Listed in the PRC		146	120
Listed outside the PRC	42	1,783	1,613
Unlisted		113	114
		2,042	1,847

(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

	2023	2022
Short-term bank deposits	8,102	9,921
Restricted deposits	2,977	4,778
	11,079	14,699

25. OTHER ASSETS

	Note	2023	2022
Intangible assets	(i)	18,265	16,469
Prepaid services charges for transmission lines and electricity cables and other services		1,601	2,049
VAT recoverable	(ii)	405	186
Capital bonds		433	—
Others		1,831	1,738
		22,535	20,442

25. OTHER ASSETS (Continued)**(i) Intangible assets**

	Computer software	Others	Total
Cost:			
At 1 January 2022	32,965	3,795	36,760
Additions	393	158	551
Transfer from CIP	4,109	3,475	7,584
Disposals	(1,920)	(263)	(2,183)
At 31 December 2022	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
Accumulated amortisation and impairment:			
At 1 January 2022	(20,977)	(2,416)	(23,393)
Amortisation charge for the year	(3,631)	(1,335)	(4,966)
Disposals	1,886	230	2,116
At 31 December 2022	(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)
Net book value:			
At 31 December 2023	11,851	6,414	18,265
At 31 December 2022	12,825	3,644	16,469

- (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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(All amounts in RMB millions unless otherwise stated)

26. INVENTORIES

	2023	2022
Handsets and other telecommunication products	1,386	1,450
Others	831	432
	2,217	1,882

27. ACCOUNTS RECEIVABLE

	2023	2022
Accounts receivable	57,349	40,769
Less: Credit loss allowance	(18,657)	(14,438)
	38,692	26,331

The gross carrying amount of accounts receivable from contracts with customers amounted to RMB57,234 million as at 31 December 2023 (2022: RMB40,670 million).

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

	2023	2022
Within one month	12,429	10,609
More than one month but not more than three months	7,524	5,135
More than three months but not more than one year	15,024	9,070
More than one year	3,715	1,517
	38,692	26,331

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.

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 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)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(All amounts in RMB millions unless otherwise stated)

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 2022:

For individual subscribers and general corporate customers

	Expected loss rate	Gross carrying amount	Loss allowance
Current (not past due)	7%	3,018	(211)
1–90 days past due	41%	1,406	(583)
91–180 days past due	90%	729	(656)
More than 180 days past due	100%	2,333	(2,333)
		7,486	(3,783)

For major corporate customers

	Expected loss rate	Gross carrying amount	Loss allowance
Current (not past due)	3%	8,108	(221)
Within 1 year past due	21%	16,666	(3,436)
1–2 years past due	65%	4,347	(2,836)
2–3 years past due	100%	1,674	(1,674)
More than 3 years past due	100%	2,488	(2,488)
		33,283	(10,655)

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.

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

	2023	2022
Balance, beginning of year	14,438	10,170
Allowance for the year	5,826	5,519
Written-off during the year	(1,607)	(1,251)
Balance, end of year	18,657	14,438

27. ACCOUNTS RECEIVABLE (Continued)

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 receivable.

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	2023	2022
Prepaid services charges for transmission lines and electricity cables and other services		3,247	3,962
Prepaid power and water charges		638	778
Deposits and prepayments		3,615	4,628
VAT recoverable	(i)	10,111	8,285
Prepaid enterprise income tax		35	70
Financial assets held under resale agreements	(ii)	5,005	—
Others		3,557	3,432
		26,208	21,155

(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 2023 and 2022, 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

	2023	2022
Cash at bank and in hand	47,733	55,297

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% (2022: 0.01% to 1.50%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(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 39)	Long-term bank loans (Note 33)	Commercial papers (Note 40)	Lease liabilities (Note 36)	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 and other obligations	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

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 39)	Long-term bank loans (Note 33)	Commercial papers (Note 40)	Promissory notes (Note 34)	Corporate bonds (Note 35)	Lease liabilities (Note 36)	Other borrowings	Total
At 1 January 2022	385	2,207	6,875	1,004	2,039	22,559	7,755	42,824
Changes from financing cash flows:								
Proceeds from short-term bank loans	330	—	—	—	—	—	—	330
Proceeds from commercial papers	—	—	5,000	—	—	—	—	5,000
Loans from a related party	—	—	—	—	—	—	471	471
Repayment of short-term bank loans	(385)	—	—	—	—	—	—	(385)
Repayment of commercial papers	—	—	(6,800)	—	—	—	—	(6,800)
Repayment of promissory notes	—	—	—	(1,000)	—	—	—	(1,000)
Repayment of corporate bonds	—	—	—	—	(2,000)	—	—	(2,000)
Repayment of long-term bank loans	—	(420)	—	—	—	—	—	(420)
Payment of issuing expense for commercial papers	—	—	(5)	—	—	—	—	(5)
Capital element of lease rentals paid	—	—	—	—	—	(13,373)	—	(13,373)
Net deposits with Finance Company	—	—	—	—	—	—	621	621
Total changes from financing cash flows	(55)	(420)	(1,805)	(1,000)	(2,000)	(13,373)	1,092	(17,561)
Exchange adjustments	—	—	—	—	—	—	—	—
Other changes:								
Increase in lease liabilities from entering into new leases/lease modifications during the year	—	—	—	—	—	39,997	—	39,997
Decrease due to termination of lease contracts	—	—	—	—	—	(259)	—	(259)
Others	1	109	(45)	(4)	(39)	—	—	22
Total other changes	1	109	(45)	(4)	(39)	39,738	—	39,760
At 31 December 2022	331	1,896	5,025	—	—	48,924	8,847	65,023

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(All amounts in RMB millions unless otherwise stated)

30. SHARE CAPITAL

Issued and fully paid:	Number of shares millions	Share capital
At 1 January 2022, at 31 December 2022 and at 31 December 2023	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 2022	254,056	(9,372)	572	14,168	259,424
Total comprehensive income for the year	—	(173)	—	9,265	9,092
Dividends relating to 2021 final	—	—	—	(2,937)	(2,937)
Dividends relating to 2022 interim	—	—	—	(5,049)	(5,049)
Balance at 31 December 2022	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

(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 RMB1,647 million (2022: approximately RMB1,471 million) to the statutory reserve fund for the year ended 31 December 2023.

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 2023 and 2022, 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 2023

(All amounts in RMB millions unless otherwise stated)

32. DIVIDENDS

At the annual general meeting held on 12 May 2022, the shareholders of the Company approved the payment of a final dividend of RMB0.096 per ordinary share for the year ended 31 December 2021, totaling approximately RMB2,937 million which has been reflected as a reduction of retained profits for the year ended 31 December 2022.

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 a meeting held on 19 March 2024, the Board of Directors of the Company proposed the payment of a final dividend of RMB0.1336 per ordinary share to the shareholders for the year ended 31 December 2023 totaling approximately RMB4,088 million. The proposed dividend has not been reflected as a dividend payable in the consolidated financial statements as at 31 December 2023, but will be reflected in the consolidated financial statements for the year ending 31 December 2024.

	2023	2022
Declared and paid interim dividend:		
RMB0.203 (2022: RMB0.165) per ordinary share by the Company	6,211	5,049
Proposed final dividend:		
RMB0.1336 (2022: RMB0.109) per ordinary share by the Company	4,088	3,335
	10,299	8,384

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 2023, 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 withhold 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	2023	2022
RMB denominated bank loans	Fixed interest rates ranging from 1.08% to 2.40% (2022: 1.08% to 1.20%) per annum with maturity through 2036 (2022: maturity through 2036)	1,443	1,714
US dollars denominated bank loans	Fixed interest rate is Nil (2022: Nil to 1.55%) per annum with maturity through 2039 (2022: maturity through 2039)	153	171
Euro denominated bank loans	Fixed interest rates ranging from 1.10% to 1.50% (2022: 1.10% to 2.50%) per annum with maturity through 2034 (2022: maturity through 2034)	10	11
Sub-total		1,606	1,896
Less: Current portion		(354)	(368)
		1,252	1,528

As at 31 December 2023, long-term bank loans of approximately RMB33 million (2022: approximately RMB42 million) were guaranteed by third parties.

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

	2023	2022
Balances due:		
— No later than one year	354	368
— More than one year and no later than two years	287	354
— More than two years and no later than five years	628	691
— More than five years	337	483
	1,606	1,896
Less: Portion classified as current liabilities	(354)	(368)
	1,252	1,528

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(All amounts in RMB millions unless otherwise stated)

34. PROMISSORY NOTES

On 18 November 2019, CUCL issued tranche one of 2019 promissory notes in an amount of RMB1 billion, with a maturity period of 3 years from the date of issue and which carries interest at 3.39% per annum, and was fully repaid in November 2022.

35. CORPORATE BONDS

On 19 June 2019, CUCL issued RMB2 billion 3-year corporate bonds, bearing interest at 3.67% per annum, and was fully repaid in June 2022.

36. LEASE LIABILITIES

At 31 December 2023 and 2022, the lease liabilities were repayable as follows:

	2023		2022	
	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	12,640	12,901	12,495	12,750
After 1 year but within 2 years	10,635	11,273	10,437	11,055
After 2 years but within 5 years	18,740	20,988	25,026	28,272
After 5 years	1,242	1,822	966	1,313
	30,617	34,083	36,429	40,640
Total lease liabilities	43,257	46,984	48,924	53,390
Less: total future interest expenses		(3,727)		(4,466)
Present value of lease liabilities		43,257		48,924

The total cash outflow for leases incurred by the Group for the year ended 31 December 2023 was RMB23,622 million (2022: RMB23,048 million).

37. DEFERRED REVENUE

Deferred revenue mainly represents the unamortised portion of government grants.

	2023	2022
Balance at beginning of the year	7,832	6,951
Additions for the year		
— government grants	1,715	1,278
— others	1,395	1,170
Sub-total	3,110	2,448
Reductions for the year		
— recognition of government grants in profit or loss	(1,042)	(925)
— others	(688)	(642)
Sub-total	(1,730)	(1,567)
Balance at end of the year	9,212	7,832

38. OTHER OBLIGATIONS

	Note	2023	2022
One-off cash housing subsidies	(a)	2,493	2,493
Others	(b)	939	1,218
Sub-total		3,432	3,711
Less: Current portion		(2,493)	(2,493)
		939	1,218

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(All amounts in RMB millions unless otherwise stated)

38. 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 2023, the Group's unpaid one-off cash housing subsidies amounted to approximately RMB2,493 million (31 December 2022: 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.

39. SHORT-TERM BANK LOANS

	Interest rates and final maturity	2023	2022
RMB denominated bank loans	Fixed interest rates ranging from 1.45%–1.65% (2022: 1.65%–2.00%) per annum with maturity through 2024 (2022: maturity through 2023)	681	331

As at 31 December 2023 and 2022, all short-term bank loans were unsecured.

40. COMMERCIAL PAPERS

On 23 June 2021, CUCL issued tranche one of 2021 super short term commercial papers in an amount of RMB2 billion, with a maturity period of 270 days from the date of issue and which carries interest at 2.80% per annum, and was fully repaid in March 2022.

On 27 July 2021, CUCL issued tranche two of 2021 super short term commercial papers in an amount of RMB3 billion, with a maturity period of 180 days from the date of issue and which carries interest at 2.23% per annum, and was fully repaid in January 2022.

On 27 July 2021, CUCL issued tranche three of 2021 super short term commercial papers in an amount of RMB1.8 billion, with a maturity period of 180 days from the date of issue and which carries interest at 2.23% per annum, and was fully repaid in January 2022.

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.

41. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2023	2022
Payables to contractors and equipment suppliers	94,259	85,475
Payables to telecommunications products suppliers	1,887	3,966
Customer/contractor deposits	5,012	4,975
Repair and maintenance expense payables	9,320	6,808
Salary and welfare payables	8,917	12,379
Amounts due to technical support services and other service providers/content providers	9,499	8,402
VAT received from customer in advance	2,380	2,311
Accrued expenses	19,101	20,177
Others	10,904	10,345
	161,279	154,838

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

	2023	2022
Less than six months	137,565	131,253
Six months to one year	7,803	8,018
More than one year	15,911	15,567
	161,279	154,838

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(All amounts in RMB millions unless otherwise stated)

42. 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 2023, the related financial assets measured at FVOCI amounted to approximately RMB1,783 million (31 December 2022: approximately RMB1,613 million). For the year ended 31 December 2023, the increase in fair value of the financial assets measured at FVOCI was approximately RMB170 million (2022: decrease of approximately RMB173 million), has been recorded in the consolidated statement of comprehensive income.

43. 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 will expire 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. As at 31 December 2023, 1,777,437,107 options were available for issue under the 2014 Share Option Scheme. 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 2023 and 2022.

44. 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 during the current year. With the fulfilment of the vesting conditions, the Phase I Restricted Shares of 3,240,375 (2022: 206,767,725) in aggregate were approved for unlocking after the Lock-Up Period I by the Board of Directors of A Share Company.

During the year ended 31 December 2023, the Phase I Restricted Shares of 443,925 (2022: 25,296,975) were forfeited.

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 2023

(All amounts in RMB millions unless otherwise stated)

44. 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.

For the year ended 31 December 2023, the Group recognised share-based payment expenses and other reserves of RMB282 million under the Phase I and Phase II Restricted A-Share Incentive Schemes (2022: RMB55 million).

45. 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.

45. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

45.1 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	2023	2022
Transactions with Unicom Group and its subsidiaries:			
Charges for value-added telecommunications services	(i), (ii)	12	25
Rental charges for short-term property leasing and related services	(i), (iii)	945	1,052
Charges for use of telecommunications resources and related services	(i), (iv)	209	231
Charges for engineering design and construction and IT services	(i), (v)	175	184
Charges for shared services	(i), (vi)	76	79
Charges for materials procurement services	(i), (vii)	3	16
Charges for ancillary telecommunications services	(i), (viii)	150	10
Charges for comprehensive support services	(i), (ix)	836	626
Income from comprehensive support services	(i), (ix)	194	98
Lending by Finance Company to Unicom Group and its subsidiaries	(i), (xi)	5,700	11,800
Repayment of loans lending by Finance Company to Unicom Group and its subsidiaries	(i), (xi)	5,700	17,600
Fee and interest income from lending services	(i), (xi)	126	322
Income from other financial services	(i), (xi)	1	1
Net deposits with Finance Company	(i), (xi)	912	631
Interest expenses on the deposits in Finance Company	(i), (xi)	105	73
Interest expenses on unsecured entrusted loans	(xii)	43	32
Lending from Unicom Group and its subsidiaries	(xii)	583	471
Repayment of loans lending from Unicom Group and its subsidiaries	(xii)	913	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(All amounts in RMB millions unless otherwise stated)

45. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

45.1 Connected transactions with Unicom Group and its subsidiaries other than the Group (“Unicom Group and its subsidiaries”) (Continued)

(a) Recurring transactions (Continued)

- (i) On 21 October 2019, CUCL and Unicom Group entered into the “2020–2022 Comprehensive Services Agreement” to renew certain continuing connected transactions. “2020–2022 Comprehensive Services Agreement” has a term of three years commencing on 1 January 2020 and expired on 31 December 2022.

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 RMB116 million resulting from the properties leased (lease term exceeds 12 months) in 2023.

45. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

45.1 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 2023 and 2022, 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 2023

(All amounts in RMB millions unless otherwise stated)

45. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

45.1 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, and will be on normal commercial terms.

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.

45. MATERIAL RELATED PARTY TRANSACTIONS (continued)

45.1 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 45.1 (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 2023 included loans from Finance Company to Unicom Group of RMB4,600 million in total with respective floating interest rate of Loan Prime Rate (“LPR”) published by the National Interbank Funding Center (“NIFC”) (2022: 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 2023 included a balance of deposits received by Finance Company from Unicom Group and its subsidiaries of RMB7,650 million (31 December 2022: RMB6,721 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 2023 included unsecured entrusted loans from Unicom Group of RMB706 million (31 December 2022: RMB300 million) with a maturity period of 3 years and interest rate at 2.25% per annum and unsecured entrusted loans from Unicom Group of RMB175 million (31 December 2022: RMB171 million, which was fully repaid in 2023) with a maturity period of 2 years and interest rate at 2.25% per annum. Unsecured entrusted loan from A Share Company of RMB742 million as at 31 December 2022 with a maturity period of 5 years and interest rate at 4.28% per annum was fully repaid in 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(All amounts in RMB millions unless otherwise stated)

45. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

45.2 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.

	2023	2022
Transactions with associates and joint ventures of Unicom Group and its subsidiaries:		
Charges for value-added telecommunications services	61	105
Rental charges for short-term property leasing and related services	—	4
Charges for use of telecommunications resources and related services	1	3
Charges for engineering design and construction and IT services	521	2,250
Charges for materials procurement services	12	121
Charges for ancillary telecommunications services	888	3,016
Charges for comprehensive support services	279	1,012
Income from comprehensive support services	31	23

In addition to the above amounts, the Group has also entered into related party transactions with associates of Unicom Group which do not meet the definition of connected person and connected transactions under Chapter 14A of the Listing Rules in 2023. These transactions include: charges for value-added telecommunications services amounting to RMB180 million, charges for engineering design and construction and IT services amounting to RMB2,568 million, charges for ancillary telecommunications services amounting to RMB2,322 million and charges for comprehensive support services amounting to RMB1,036 million.

45. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

45.3 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	2023	2022
Transactions with associates and joint ventures of the Group:			
Revenue from engineering design and construction services	(i)	431	271
Related costs for use of tower assets	(ii)	20,078	19,278
Additions of right-of-use assets	(ii)	3,254	33,773
Revenue from value-added telecommunications services		523	292
Charges for value-added telecommunications services		657	503
Charges for materials procurement services		12	18
Net deposits with Finance Company		35	(10)
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 2023

(All amounts in RMB millions unless otherwise stated)

45. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

45.3 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 2023 amounting to RMB3,254 million (2022: RMB33,773 million). Related costs for use of tower assets include the depreciation of right-of-use assets of RMB7,470 million (2022: RMB7,840 million), interest expense of RMB1,273 million (2022: RMB368 million), and variable lease payments and other related service charges of RMB11,335 million (2022: RMB11,070 million) in the consolidated statement of income for the year ended 31 December 2023.

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

	Note	31 December 2023	31 December 2022
Amounts due from related parties		272	221
Amounts due to related parties	(iii)	14,307	8,826

(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 2023 was RMB13,794 million (31 December 2022: RMB8,522 million). Except as mentioned in Note 45.3(ii), amounts due from/to Tower Company are unsecured, interest-free, repayable on demand/on contract terms with Tower Company as described above.

46. CONTINGENCIES AND COMMITMENTS

46.1 Capital commitments

As at 31 December 2023 and 2022, the Group had capital commitments, mainly in relation to the construction of telecommunications network, as follows:

	2023			2022		
	Land and buildings	Equipment	Total	Land and buildings	Equipment	Total
Authorised and contracted for	3,467	38,508	41,975	3,405	30,193	33,598
Authorised but not contracted for	7,109	28,320	35,429	7,119	36,327	43,446
	10,576	66,828	77,404	10,524	66,520	77,044

46.2 Contingent liabilities

As at 31 December 2023, the Group had no material contingent liabilities and no material financial guarantees issued.

47. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	As at 31 December	
	2023	2022
ASSETS		
Non-current assets		
Equipment	2	2
Investments in subsidiaries	237,426	237,426
Loan to a subsidiary	—	12,230
Right-of-use assets	10	28
Financial assets measured at fair value	1,783	1,613
	239,221	251,299
Current assets		
Amounts due from subsidiaries	157	156
Dividend receivable	9,624	8,774
Prepayments and other current assets	234	27
Loan to a subsidiary	12,347	—
Cash and cash equivalents	371	321
	22,733	9,278
Total assets	261,954	260,577
EQUITY		
Share capital	254,056	254,056
Reserves	(8,803)	(8,973)
Retained profits		
— Proposed final dividend	4,088	3,335
— Others	12,570	12,112
Total equity	261,911	260,530

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(All amounts in RMB millions unless otherwise stated)

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

	As at 31 December	
	2023	2022
LIABILITIES		
Non-current liabilities		
Lease liabilities	—	18
Other non-current liabilities	4	4
	4	22
Current liabilities		
Lease liabilities	9	9
Accounts payable and accrued liabilities	19	16
Other current liabilities	11	—
	39	25
Total liabilities	43	47
Total equity and liabilities	261,954	260,577
Net current assets	22,694	9,253
Total assets less current liabilities	261,915	260,552

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 19 March 2024 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

48. 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 2023. For details, please refer to Note 32.

49. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on 19 March 2024.

FINANCIAL SUMMARY

For the five-year ended 31 December 2023

(All amounts in RMB millions, except per share data)

Selected financial summary for 2019 to 2023, including selected consolidated statement of income data and consolidated statement of financial position data for 2019, 2020, 2021, 2022 and 2023 were prepared in accordance with HKFRSs.

RESULTS

Selected Statement of Income Data

	2023	2022	2021	2020	2019
Revenue	372,597	354,944	327,854	303,838	290,515
Interconnection charges	(11,294)	(10,947)	(11,557)	(10,574)	(11,513)
Depreciation and amortisation	(84,847)	(86,829)	(85,652)	(83,017)	(83,080)
Network, operation and support expenses	(60,026)	(56,425)	(53,087)	(46,286)	(43,236)
Employee benefit expenses	(62,939)	(60,726)	(58,944)	(55,740)	(50,516)
Costs of telecommunications products sold	(36,403)	(34,720)	(30,683)	(26,862)	(26,412)
Other operating expenses	(102,123)	(92,957)	(77,263)	(70,237)	(64,480)
Finance costs	(1,981)	(1,095)	(1,385)	(1,747)	(2,123)
Interest income	2,105	1,747	1,215	1,366	1,272
Share of net profit of associates	2,519	2,153	1,862	1,588	1,359
Share of net profit of joint ventures	1,803	1,593	1,448	787	646
Other income — net	3,534	3,850	4,119	2,911	1,735
Profit before income tax	22,945	20,588	17,927	16,027	14,167
Income tax expenses	(4,023)	(3,751)	(3,420)	(3,450)	(2,795)
Profit for the year	18,922	16,837	14,507	12,577	11,372
Profit attributable to:					
Equity shareholders of the Company	18,726	16,745	14,368	12,493	11,330
Non-controlling interests	196	92	139	84	42
Profit for the year	18,922	16,837	14,507	12,577	11,372
Earnings per share for profit attributable to equity shareholders of the Company:					
Basic earnings per share (RMB)	0.61	0.55	0.47	0.41	0.37
Diluted earnings per share (RMB)	0.61	0.55	0.47	0.41	0.37

RESULTS (Continued)**Selected Statement of Financial Position Data**

	2023	2022	2021	2020	2019
Property, plant and equipment	355,995	352,433	355,031	364,187	367,401
Right-of-use assets	52,608	59,227	32,866	37,960	43,073
Financial assets measured at fair value	29,645	23,702	32,726	27,682	4,093
Cash and cash equivalents	47,733	55,297	34,280	23,085	34,945
Other current asset	85,940	71,353	62,937	61,362	48,448
Other non-current asset	89,130	80,651	73,236	66,340	64,539
Total assets	661,051	642,663	591,076	580,616	562,499
Short-term bank loans	681	331	385	740	5,564
Commercial papers	—	5,025	6,875	7,000	8,995
Long-term bank loans	1,606	1,896	2,207	2,900	3,306
Lease liabilities	43,257	48,924	22,559	27,961	32,325
Other current liabilities	249,977	232,651	216,409	202,367	179,404
Other non-current liabilities	11,632	10,300	9,208	12,128	12,150
Total liabilities	307,153	299,127	257,643	253,096	241,744
Total equity	353,898	343,536	333,433	327,520	320,755

CORPORATE INFORMATION

BOARD OF DIRECTORS (As At 19 March 2024)

Executive Directors

Chen Zhongyue *Executive Director, Chairman and Chief Executive Officer*

Wang Junzhi *Executive Director*

Li Yuzhuo *Executive Director and Chief Financial Officer*

Independent Non-Executive Directors

Cheung Wing Lam Linus

Wong Wai Ming

Chung Shui Ming Timpson

Law Fan Chiu Fun Fanny

Audit Committee

Wong Wai Ming (*Chairman*)

Cheung Wing Lam Linus

Chung Shui Ming Timpson

Law Fan Chiu Fun Fanny

Remuneration Committee

Cheung Wing Lam Linus (*Chairman*)

Wong Wai Ming

Chung Shui Ming Timpson

Nomination Committee

Chung Shui Ming Timpson (*Chairman*)

Chen Zhongyue

Law Fan Chiu Fun Fanny

COMPANY SECRETARY

Chan Ngar Wai

AUDITOR

Deloitte Touche Tohmatsu

Registered Public Interest Entity Auditors

LEGAL ADVISORS

Freshfields Bruckhaus Deringer

REGISTERED OFFICE

75th Floor,

The Center, 99 Queen's Road Central,

Hong Kong

Tel: (852) 2126 2018

MAJOR SUBSIDIARY

China United Network Communications Corporation Limited

No. 21 Financial Street,

Xicheng District, Beijing 100033, P.R.C.

SHARE REGISTRAR

Hong Kong Registrars Limited

Shops 1712–1716,

17th Floor, Hopewell Centre

183 Queen's Road East,

Wanchai, Hong Kong

Tel: (852) 2862 8555

Fax: (852) 2865 0990

Website: www.computershare.com/hk/contact

PUBLICATIONS

Financial reports, announcements, press releases and other investor information on the Company are available to access electronically via the Company's website.

STOCK CODE

Hong Kong Stock Exchange: 762

COMPANY WEBSITE

www.chinaunicom.com.hk

CORPORATE CULTURE

OUR VISION

A world-class technology service enterprise with global competitiveness

OUR MISSION

The leading contributor of digital information operation and services

The pioneer of digital technology integration and innovation

OUR CORE VALUES

Customer-oriented

Employee-friendly

Attentive to quality service

Inherently innovative

Proud of endeavours

Adhering to integrity

CORPORATE STYLE

Rigorous, Pragmatic, Skillful, Meticulous, Efficient

OPERATION AND MANAGEMENT PHILOSOPHIES

Create value for customers

Driven by both market and innovation

One China Unicom with integrated capabilities and operating services

CHINA UNICOM (HONG KONG) LIMITED

75th Floor, The Center, 99 Queen's Road Central, Hong Kong

Tel : (852) 2126 2018

Fax : (852) 2126 2016

www.chinaunicom.com.hk

