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CHINA UNICOM (HONG KONG) LIMITED
中國聯合網絡通信(香港)股份有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 0762)

2021 ANNUAL RESULTS ANNOUNCEMENT AND CLOSURE OF REGISTER OF MEMBERS

Highlights:

- **Operating results grew steadily with profitability improving rapidly. Total revenue amounted to RMB327.9 billion, representing an increase of 7.9% year-on-year. Service revenue reached RMB296.2 billion, representing an increase of 7.4% compared to 2020. Profit attributable to equity holders of the Company amounted to RMB14.4 billion, representing a year-on-year increase of 15.0%, Basic earnings per share was RMB0.470, up by 15.0% year-on-year.**
- **Basic businesses stabilised and rebounded. Mobile service revenue reached RMB164.1 billion, representing an increase of 4.8% year-on-year. The number of mobile billing subscribers recorded a net addition of 11.30 million, significantly better than the net loss of 12.66 million in 2020. Fixed-line broadband access revenue reached RMB44.8 billion, representing a year-on-year increase of 5.2%. Fixed-line broadband subscribers registered a record-high net addition of 8.95 million for the year.**
- **The development of innovation capabilities accelerated. Revenue of Industry Internet business reached RMB54.8 billion, representing a year-on-year increase of 28.2%.**
- **The Company continued to make progress in digital transformation and achieved new breakthroughs in smart operation.**
- **The Company continued to deeply promote network co-build and co-share and drive synergetic cooperation to create new value.**
- **To steer on the main course of digital economy at full strength with total strategy upgrade.**

CHAIRMAN’S STATEMENT

Dear Shareholders,

In 2021, facing the complicated and tough internal and external environments, the Company rode on the trend of socio-economic digital transformation, grasped new opportunities, embraced new changes and achieved new development. With the upgraded corporate strategy of **“Strengthen and Solidify, Preserve and Innovate, Integrate and Open”** and its new positioning as **“the national team in the operation and service of digital information infrastructure, the key force in the establishment of Cyber Superpower, Digital China and Smart Society, and the frontline troop in the integration and innovation of digital technologies”**, the Company focuses on five main responsibilities and main businesses, namely **“Big Connectivity, Big Computing, Big Data, Big Application and Big Security”**, steering on the main course of digital economy at full strength. Over the past year, the Company’s business momentum steadily improved, achieving breakthroughs in economies of scale and steady progress in key businesses. The Company enhanced its innovation capability, stimulated vitality through reform and significantly improved operational efficiency, reaching a new level of high-quality development.

OVERALL RESULTS

In 2021, the Company’s operating results grew steadily with profitability improving rapidly. Total revenue amounted to RMB327.9 billion, representing an increase of 7.9% year-on-year. Service revenue reached RMB296.2 billion, representing an increase of 7.4% year-on-year, up by 3.1 percentage points compared to 2020. Profit before income tax amounted to RMB17.9 billion and profit attributable to equity holders of the Company amounted to RMB14.4 billion, representing a year-on-year increase of 15.0%, up by 4.7 percentage points compared to 2020. EBITDA¹ reached RMB96.3 billion, representing a year-on-year increase of 2.3% ◦

The Company actively practiced green and low-carbon development and achieved remarkable results in network co-build co-share. In 2021, the capital expenditure was RMB69.0 billion, lower than the initial budget of RMB70.0 billion, reflecting better investment efficiency. Free cash flow² continued to be strong during the year, reaching RMB41.7 billion. The Company further consolidated its financial strength.

The Company attaches great importance to shareholders’ returns. After due consideration of the Company’s sound business development and strong free cash flow, the Board proposed a final dividend for the year of RMB0.096 per share. Together with the interim dividend of RMB0.120 per share already distributed, the total dividend for the year amounted to RMB0.216 per share, representing a year-on-year increase of 31.7%. Going forward, the Company will continue to strive to enhance its profitability and shareholders’ returns.

Strengthen and Solidify “the Basics”

The Company always adheres to the basic orientation of “scale-based value management” and drives the development of basic businesses in both quantity and quality terms. With a focus on building premium networks, the scale and coverage of the Company’s 5G network was comparable to peers, while its network operation efficiency continued to improve. Over the past year, the Company’s basic businesses stabilised and rebounded, with marked improvement in infrastructure capabilities. The foundation for high-quality development was further consolidated.

Quality-first scale development took mobile business to a new level

China Unicom regarded value operation as the top priority of business development. In line with increasingly digital, online and integrated 5G consumption, the Company continued to deepen the 5G-driven growth of mobile business value and scale. It insisted on refined operation, deepened precise customer segmentation and accelerated the 5G upgrade of existing users, especially medium and high-end users. It enhanced its digital operation system and drove centralised and platform-based smart operation through innovation. It continuously optimised its distribution channels leading to a more robust new channel system with online and offline integration. China Unicom APP was fully revamped and it pioneered “full-range services with a single click”, with monthly active users exceeding 120 million. A new OMO channel system has been basically established. The Company accelerated the innovation and upgrade of basic business products. It adopted a “platform + network + X” basic innovative product strategy and strengthened cooperation on content and privileges. Video Ringtones and Communication Assistant had over 10 million users. It collaborated with industry peers and the industry chain to carry out pre-commercial trial of 5G messaging to explore the new blue ocean of 5G ecology.

In 2021, mobile service revenue reached RMB164.1 billion, representing an increase of 4.8% year-on-year. The number of mobile billing subscribers recorded a net addition of 11.30 million, significantly better than the net loss of 12.66 million in 2020. Customer value continued to be enhanced, with mobile ARPU reaching RMB43.9, representing a year-on-year increase of 4.3%. Data traffic promotion achieved remarkable results. Total mobile handset data traffic volume grew by 32.2%, with the monthly average DOU per handset subscriber reaching approximately 12.7 GB. 5G business growth accelerated, with the number of 5G package subscribers reaching 155 million and the penetration rate of 5G package subscribers reaching 48.9%, outperforming the industry average.

“Three-Gigabit” integration led faster fixed-line broadband growth

Leveraging 5G-led “Three-Gigabit” integration, the Company promoted the development of broadband-mobile integration. In the face of the opportunities brought by 5G, broadband and Wi-Fi “Three-Gigabit” upgrade, the Company seized the technology upgrade window by adopting “full network integration” strategy encompassing connectivity, platform and applications. It consolidated the foundation of broadband and mobile integration to meet scenario-based, intelligent and diversified consumption demand, systematically promoting the development of broadband and smart home businesses. In Northern China, the Company continued to strengthen its broadband service to drive mobile growth, accelerate the promotion of fibre-to-the-room (FTTR) service and enrich core smart home applications, such as videos and surveillance, driving customer value enhancement. In Southern China, the Company seized new opportunities to accelerate scale breakthrough by driving broadband development with mobile and strengthening broadband-mobile synergy. The engineers of China Unicom Smart Home were connected with over 80 million broadband subscribers via a single click in the APP to enable swift response, further enhancing the Company’s competitiveness with high-quality services.

In 2021, the Company’s fixed-line broadband access revenue reached RMB44.8 billion, representing a year-on-year increase of 5.2%. Fixed-line broadband subscribers registered a record-high net addition of 8.95 million for the year, reaching a total of 95.05 million. Broadband access ARPU basically remained stable at RMB41.3. Scale-based value management achieved remarkable results. The penetration rate of integrated service among fixed-line broadband subscribers reached 71.5%, representing a year-on-year increase of 7.4 percentage points.

Consolidated digital foundation by accelerating the construction of premium networks

The Company regarded strengthening the construction of premium networks as a key part of the overall strategy. It strived to build new digital information infrastructure capabilities and technological competitive advantages, deepened network innovation and strengthened network support capabilities. The average latency of its backbone network remained industry-leading. It enhanced its multi-cloud ecosystem, enabling automatic connection of the China Unicom Industrial Internet with Unicom Cloud and MEC cloud network. It launched the CUBE-Net 3.0 network system to actively build next-generation digital infrastructure featuring “connectivity + sensing + computing + intelligence”. Through multiple measures such as network streamlining, insourced operation, network co-build co-share, AI applications and refined management, etc., the efficiency of network operation continued to improve. Leveraging edges in cloud-network-data integration, the Company offered standardised products in network situation awareness and security island chain, forming active network security capabilities and “cloud, management, and terminal” information security capabilities. In 2022, the Company will continue to build premium 5G network, gigabit broadband network, government-enterprise network and computing power network, and promote intelligent network operation, further solidifying the cornerstone of its high-quality development.

Preserve and Innovate for “Mixed Growth”

The Company always believes that innovation is key to corporate growth and promotes high-quality development driven by both market forces and innovation. In the past year, the Company accelerated the development of innovation capabilities, and its Industry Internet revenue continued to grow. The core capabilities of the “Five Middle Platforms” were basically established. The Company’s data governance system was further enhanced, making new strides on the path of digital transformation.

Strengthened internal R&D capabilities to unleash new momentum of innovative business

The Company made persistent efforts in innovation and laid a solid foundation for the five main businesses with cloud, Big Data, IoT, AI, blockchain and security. **In terms of Industry Internet**, during the year, the Company seized the new opportunities brought by “Eastern Data and Western Computing” and devoted itself to offering integrated computing network service encompassing “connectivity + sensing + computing + intelligence”. It built a national “5 + 4 + 31 + X” advanced IDC system which was integrated across cloud, network and edge, reasonably distributed, green and centralised. “Unicom Cloud” was fully upgraded to feature cloud native and virtualised dual engines and offer seven scenario-based cloud products including sensing IoT cloud, data storage cloud, smart video cloud, etc. Integrating “Unicom Chain” and AI, the daily processing capacity of the Company’s Big Data platform exceeded 200TB. The number of IoT connections continued to grow as the Company accelerated the transition to integrated IoT “connectivity + non-connectivity” applications. The Company’s IoT market share continued to increase. It actively expanded its presence in the security market and its security products were ready for scale replication. Adhering to innovation-driven development, the Company insisted on prioritising resources allocation to innovative talents and increased investment intensity to consolidate basic capability platform. It continued to strengthen the offerings of self-developed products in digital government, smart city, industrial internet, healthcare and environment, etc. Its own critical core capabilities were greatly improved while breakthroughs were made in integrated application. **In terms of 5G industry applications**, the Company integrated internal and external resources to deeply implement the “5G Applications Sailing” Action Plan and launch five special projects (“Strong Foundation Project, Growth Engine Project, Escort Project, Co-Innovation Project and Blooming Project”), facilitating the digital transformation and intelligent upgrade of thousands of industries with new products, new business formats and new models of 5G applications. It continuously developed and upgraded standardised solutions for 5G industrial Internet, smart city, healthcare, education and cultural tourism. It strengthened research and development in 5G industry integration standards, expanded the 5G application innovation alliance, and optimised the 5G ecology open platform. It continued to increase investment in research and development, and incubated products in IoT for carbon peaking and carbon neutrality, 5G + cooperative vehicle-infrastructure system, 5G + Beidou Navigation Satellite System, smart legal services and smart pension, etc. **In terms of core technology research and development**, during the year, the Company boosted its investment in technological research, with research and development expenses growing 61.7% year-on-year. The proportion of technological innovation personnel reached 22%, while the number of patents granted reached 1,128, representing a significant year-on-year increase of 120%. The Company led the first-time domestic

substitution of high-precision time-frequency synchronisation chips, breaking the foreign monopoly on the technology and providing reliable and low-error time-based precision for 5G networks.

In 2021, the revenue of Industry Internet business reached RMB54.8 billion, representing a year-on-year increase of 28.2% and accounting for 18.5% of the overall service revenue. In particular, the revenue of Unicom Cloud³ amounted to RMB16.3 billion, representing a year-on-year increase of 46.3%. Driven by the growth of innovative business, the Company's fixed-line service revenue reached RMB129.6 billion, representing a year-on-year increase of 10.9%. In the future, the Company will continue to accelerate the development of proprietary innovation platform capabilities and key products and enhance competitiveness as well as business value.

Fully established core capabilities to drive new breakthroughs in smart operation

The Company adhered to innovation-driven business development and continued to make progress in digital transformation. During the year, the Company launched the "China Unicom Intelligence Brain" to achieve 100% consolidation of core business system, customer system, smart middle platform, Big Data and digital base. The Company adhered to the "platform + application" architecture and established 48 centres, 6 platforms and 9 capabilities with the core capabilities of the "Five Middle Platforms" (public customers, government and enterprise customers, data, network and management) basically established. 10010 hotlines in 31 provinces were fully integrated and smart customer service was centralised across 31 provinces and 2 bases, serving over 400 million users. It offered personalised services that "knew customers better" with Big Data + AI. Smart service ratio reached 80%. The Company continued to strengthen its process governance, resulting in agile empowerment and significant improvement in support capabilities of all production scenarios.

Integrate and Open for "Team Competition"

The Company insists on factor integration and market convergence. It actively integrated into the development of digital economy and deepened integration and open cooperation to build a high-quality development ecosystem.

Industry ecology steadily improved and network co-build co-share made progress

Taking the construction of new digital information infrastructure such as 5G as an opportunity, the Company continued to deeply promote network co-build co-share. It continued to work closely with China Telecom and added 310,000 new 5G base stations. The total of 5G base stations used by the two companies reached 690,000, creating the world's largest co-built and co-shared 5G network. The scale of 4G sharing was further expanded, and the number of 4G base stations shared by the two companies reached 660,000. Through the co-build co-share of 4G/5G networks, the Company actively supported the goals of "carbon peaking and carbon neutrality". It is expected that more than 17.5 billion kWh of electricity can be saved every year while the cumulative carbon dioxide emission savings exceeded 6 million tons. In addition, the two companies have saved more than RMB210.0 billion in CAPEX on a cumulative basis. At the same time, the Company is committed to further

expanding the depth and breadth of co-build co-share, promoting cooperation and sharing in technological innovation, cloud-network integration such as IDC, and promoting the co-build co-share and co-maintenance of infrastructure and key business platforms such as transmission lines, pipes and fibres, equipment rooms and antennae, DAS, etc.

Acceleration of factor integration spurred synergetic cooperation to create new value

The Company took the initiative to actively promote strategic cooperation with national ministries and commissions, local governments, enterprises and institutions, deepen the breadth and depth of open cooperation, and serve the digital transformation of the economy and society. It actively cooperated with strategic partners, industry peers, system vendors, IT companies and the society, and drove value creation with the industry. It strengthened equity investment management and expanded into new domains through minority investment or acquisitions with synergies, driving revenue growth of its main business. Relying on the “direct investment + fund + incubation” investor platform, the Company expanded its presence in innovative domains and promoted an open and cooperative ecosystem.

SOCIAL RESPONSIBILITY AND CORPORATE GOVERNANCE

The Company actively serves and integrates into the national strategy, resolutely fulfills its missions and responsibilities, and lets people enjoy greater sense of reward, happiness and security in digital, network-based and intelligent development. As the sole official telecommunication service partner of the Beijing 2022 Winter Olympics and Paralympic Winter Games, the Company adhered to the concepts of “Green Olympic Games, Sharing Olympic Games, Open Olympic Games, and Honest Olympic Games” and earnestly implemented the requirements of “simple, safe and wonderful” competitions. With the “Smart Winter Olympics” strategy, it comprehensively achieved zero fault in network support, zero complaint in event service, zero infection in personnel, and successfully provided secure communication support for the Winter Olympics. For the first time, it applied IPv6+ technology to the private network of the Winter Olympics, providing high-quality network services for the broadcast of the Beijing Winter Olympics leveraging capabilities such as network slicing, segment routing and latency optimisation. The Company pushed forward “carbon peaking and carbon neutrality” by promoting green, low-carbon and circular development and network co-build co-share. It continued to accelerate the construction of digital villages to facilitate the modernisation of agriculture and rural areas. It built on the achievements of poverty alleviation and effectively connected with rural revitalisation. It actively followed the “Belt and Road” Initiative, served national strategic plans such as Xiong’an New Area, Guangdong-Hong Kong-Macao Greater Bay Area and Yangtze River Delta Integration, and actively drove the mutual promotion of domestic and international dual circulation, fostering faster development of a new landscape of coordinated regional development. It offered application services on epidemic prevention, culture and sports, education, medical care, environmental protection, charity, etc., for social good. It also cared about the well-being of its employees and helped them grow and develop.

The Company continued to bolster its corporate governance mechanism, enhance execution and strengthen risk management and internal control, in a bid to provide solid support for sustainable and healthy corporate development. During the year, the Company attained a number of accolades, including the 260th place in “Fortune Global 500 Companies”, the 276th place in “The Forbes Global 2000”, “Asia’s No.1 Best Telecommunications Company” and “Best Managed Listed Company in China — 1st” by FinanceAsia, and being voted as “Asia’s No. 1 Most Honored Telecom Company” by Institutional Investor for the sixth consecutive year.

OUTLOOK

The digital economy is driving profound changes in the way of production, lifestyle and governance, and has become a strong driver for sustainable and healthy economic and social development. The accelerated integration of digital technology represented by 5G with the real economy and the accelerated digital transformation of various industries have brought huge opportunities for the development of digital economy. It is expected that the value-added of core industries of digital economy will account for 10% of GDP by 2025⁴. As the “national team” in the construction, operation and service of digital information infrastructure, information communication operators are capable and obliged to participate in the wave of digital revolution with a more active attitude, so as to facilitate information flow and build a new digital base for economic and social development, as well as to enhance the development of digital economy, digital life and digital governance to contribute to the national strategy of technological upgrade.

The year 2022 marks the commencement of China Unicom’s full implementation of its new strategic plan. China Unicom will continue to fully implement new development philosophies, contribute to the establishment of a new development landscape and promote high-quality development. With the goal of establishing “Cyber Superpower, Digital China, and Smart Society” and adhering to the Company’s “1 + 8 + 2” strategic planning, the Company will focus on its five main responsibilities and main businesses, stabilise growth, optimise network, deepen reform, enhance capabilities, strengthen synergy and prevent risks, in order to create greater value for shareholders, customers and society.

Lastly, on behalf of the Board of Directors, I would like to express our sincere gratitude to all shareholders, customers and fellows across the society for their long-term support and to all employees for their continuous dedication and contribution along the way!

Liu Liehong

Chairman and Chief Executive Officer

Hong Kong, 11 March 2022

- 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:* Unicom Cloud revenue includes revenue of cloud resources, cloud platform, cloud service, cloud integration, cloud interconnection, cloud security, etc. generated from integrated innovative solutions.
- Note 4:* Cited from China's "14th Five-Year Plan for Digital Economy Development".

GROUP RESULTS

China Unicom (Hong Kong) Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2021 which were extracted from the audited consolidated financial statements of the Group as set out in the Company’s 2021 annual report.

CONSOLIDATED STATEMENT OF INCOME

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

	Note	Year ended 31 December	
		2021	2020
Revenue	5	327,854	303,838
Interconnection charges		(11,557)	(10,574)
Depreciation and amortisation		(85,652)	(83,017)
Network, operation and support expenses		(53,087)	(46,286)
Employee benefit expenses		(58,944)	(55,740)
Costs of telecommunications products sold		(30,683)	(26,862)
Other operating expenses		(77,263)	(70,237)
Finance costs		(1,385)	(1,747)
Interest income		1,215	1,366
Share of net profit of associates		1,862	1,588
Share of net profit of joint ventures		1,448	787
Other income — net		4,119	2,911
Profit before income tax		17,927	16,027
Income tax expenses	6	(3,420)	(3,450)
Profit for the year		<u>14,507</u>	<u>12,577</u>
Profit attributable to:			
Equity shareholders of the Company		14,368	12,493
Non-controlling interests		139	84
Profit for the year		<u>14,507</u>	<u>12,577</u>
Earnings per share for profit attributable to equity shareholders of the Company during the year:			
Basic earnings per share (RMB)	7	<u>0.47</u>	<u>0.41</u>
Diluted earnings per share (RMB)	7	<u>0.47</u>	<u>0.41</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**(All amounts in RMB millions)**

	Year ended 31 December	
	2021	2020
Profit for the year	<u>14,507</u>	<u>12,577</u>
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)	135	(1,482)
Tax effect on changes in fair value of financial assets measured at FVOCI (non-recycling)	<u>(3)</u>	<u>4</u>
Changes in fair value of financial assets measured at FVOCI, net of tax (non-recycling)	132	(1,478)
Others	<u>(23)</u>	<u>(5)</u>
	<u>109</u>	<u>(1,483)</u>
Items that may be reclassified subsequently to statement of income:		
Changes in fair value of financial assets measured at FVOCI, net of tax (recycling)	(3)	34
Currency translation differences	<u>(133)</u>	<u>(257)</u>
	<u>(136)</u>	<u>(223)</u>
Other comprehensive income for the year, net of tax	<u>(27)</u>	<u>(1,706)</u>
Total comprehensive income for the year	<u>14,480</u>	<u>10,871</u>
Total comprehensive income attributable to:		
Equity shareholders of the Company	14,341	10,787
Non-controlling interests	<u>139</u>	<u>84</u>
Total comprehensive income for the year	<u>14,480</u>	<u>10,871</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(All amounts in RMB millions)

		As at 31 December	
	Note	2021	2020
ASSETS			
Non-current assets			
Property, plant and equipment		355,031	364,187
Right-of-use assets		32,866	37,960
Goodwill		2,771	2,771
Interest in associates		41,278	38,802
Interest in joint ventures		7,138	5,656
Deferred income tax assets		271	745
Contract assets		71	103
Contract costs		4,025	3,672
Financial assets measured at fair value		3,715	3,493
Other assets		17,682	14,591
		<u>464,848</u>	<u>471,980</u>
Current assets			
Inventories		1,846	1,951
Contract assets		406	823
Accounts receivable	8	17,957	16,287
Prepayments and other current assets		17,925	15,882
Amounts due from ultimate holding company		10,558	10,570
Amounts due from related parties		270	195
Amounts due from domestic carriers		2,007	3,665
Financial assets measured at fair value		29,011	24,189
Short-term bank deposits and restricted deposits		11,968	11,989
Cash and cash equivalents		34,280	23,085
		<u>126,228</u>	<u>108,636</u>
Total assets		<u><u>591,076</u></u>	<u><u>580,616</u></u>

		As at 31 December	
	<u>Note</u>	<u>2021</u>	<u>2020</u>
EQUITY			
Equity attributable to equity shareholders of the Company			
Share capital		254,056	254,056
Reserves		(17,228)	(18,821)
Retained profits			
— Proposed final dividend	9	2,937	5,018
— Others		92,572	86,334
		<u>332,337</u>	<u>326,587</u>
Non-controlling interests		<u>1,096</u>	<u>933</u>
Total equity		<u><u>333,433</u></u>	<u><u>327,520</u></u>
LIABILITIES			
Non-current liabilities			
Long-term bank loans		1,835	2,482
Promissory notes		—	998
Corporate bonds		—	1,999
Lease liabilities		10,415	16,458
Deferred income tax liabilities		417	64
Deferred revenue		6,951	5,927
Amounts due to related parties		742	3,042
Other obligations		1,098	98
		<u>21,458</u>	<u>31,068</u>

		As at 31 December	
	<u>Note</u>	<u>2021</u>	<u>2020</u>
Current liabilities			
Short-term bank loans		385	740
Commercial papers		6,875	7,000
Current portion of long-term bank loans		372	418
Current portion of promissory notes		1,004	—
Current portion of corporate bonds		2,039	1,000
Lease liabilities		12,144	11,503
Accounts payable and accrued liabilities	10	140,124	134,437
Bills payable		4,246	5,482
Taxes payable		1,435	2,805
Amounts due to ultimate holding company		4,028	1,640
Amounts due to related parties		12,926	9,183
Amounts due to domestic carriers		2,262	2,291
Current portion of other obligations		2,519	2,529
Contract liabilities		45,704	42,641
Advances from customers		122	359
		<u>236,185</u>	<u>222,028</u>
Total liabilities		<u>257,643</u>	<u>253,096</u>
Total equity and liabilities		<u>591,076</u>	<u>580,616</u>
Net current liabilities		<u>(109,957)</u>	<u>(113,392)</u>
Total assets less current liabilities		<u>354,891</u>	<u>358,588</u>

NOTES (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 voice usage, broadband and mobile data services, data and internet application services, other value-added services, transmission lines usage and associated services and sales of telecommunications products in the PRC. 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 and the American Depositary Shares (“ADS”) of the Company were listed on the New York Stock Exchange on 21 June 2000. The New York Stock Exchange LLC filed Form 25 with the United States Securities and Exchange Commission on 7 May 2021 and the delisting of the Company’s ADS has taken effective on 18 May 2021.

The substantial shareholders of the Company are China Unicom (BVI) Limited (“Unicom BVI”) and China Unicom Group Corporation (BVI) Limited. The majority of equity interests in Unicom BVI is owned by China United Network Communications Limited, 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) as the immediate holding company and ultimate holding company, respectively.

2. SUMMARY 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 (“Listing Rules”) and the Hong Kong Companies Ordinance.

The financial information relating to the financial years ended 31 December 2021 and 2020 included in this preliminary announcement of annual results does not constitute the Company’s statutory annual consolidated financial statements for those financial years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2020 to the Registrar of Companies as required section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 December 2021 in due course.

The Company’s auditor has reported on those financial statements. The auditor’s reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

3. 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.

(a) Going Concern Assumption

As at 31 December 2021, current liabilities of the Group exceeded current assets by approximately RMB110.0 billion (2020: approximately RMB113.4 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 RMB237.5 billion of revolving banking facilities of which approximately RMB223.3 billion was unutilised as at 31 December 2021; 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 2021 have been prepared on a going concern basis.

(b) New Accounting Standards and Amendments

- (i) The HKICPA has issued an amendment to HKFRSs that is first effective for the current accounting period of the Group:
 - Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, "Interest Rate Benchmark Reform— Phase 2"

The Group has early applied the amendment to HKFRS 16, "Covid-19-Related Rent Concessions Beyond 30 June 2021" which extends the availability of the practical expedient in paragraph 46A of HKFRS 16, "Leases" by one year. The Group does not take advantage of the practical expedient.

In addition, the Group applied the agenda decision of the International Financial Reporting Standard Interpretations Committee of the International Accounting Standard Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

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

- (ii) New standard and amendments to HKFRSs issued but not yet effective for the current year.

The HKICPA has issued a number of new standard and amendments to HKFRSs which are not yet effective for the year ended 31 December 2021 and which have not been adopted in these consolidated financial statements.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, “Reference to the Conceptual Framework”	1 January 2022
Amendments to HKAS 16, “Property, Plant and Equipment — Proceeds before Intended Use”	1 January 2022
Amendments to HKAS 37, “Onerous Contracts — Cost of Fulfilling a Contract”	1 January 2022
Amendments to HKFRSs, “Annual Improvements to HKFRSs 2018–2020”	1 January 2022
Amendments to HKAS 1, “Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)”	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2, “Disclosure of Accounting Policies”	1 January 2023
Amendments to HKAS 8, “Definition of Accounting Estimates”	1 January 2023
HKFRS 17, “Insurance Contracts and the related Amendments”	1 January 2023
Amendments to HKAS 12, “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	1 January 2023
Amendments to HKFRS 10 and HKAS 28, “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	to be determined

Except for the early application of the amendment to HKFRS 16 “Covid-19-Related Rent Concessions Beyond 30 June 2021”, the Group has not applied any new standard or amendment to HKFRSs that is not yet effective for the current accounting period. The Group is assessing the impact of such new standard and amendments to standards, and will adopt the relevant new standard and amendments in the subsequent periods as required. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

4. 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.

5. REVENUE

Revenue from telecommunications services are subject to value-added tax (“VAT”) and 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.

	<u>2021</u>	<u>2020</u>
Total service revenue	296,153	275,814
Sales of telecommunications products	<u>31,701</u>	<u>28,024</u>
Total	<u><u>327,854</u></u>	<u><u>303,838</u></u>

6. TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 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% (2020: 25%). Taxation for certain subsidiaries in the PRC was calculated at a preferential tax rate of 15% (2020: 15%).

	<u>2021</u>	<u>2020</u>
Provision for income tax on the estimated taxable profits for the year		
— Hong Kong	83	99
— Mainland China and other jurisdictions	2,625	2,858
(Over)/under provision in respect of prior years	<u>(115)</u>	<u>40</u>
	2,593	2,997
Deferred taxation	<u>827</u>	<u>453</u>
Income tax expenses	<u><u>3,420</u></u>	<u><u>3,450</u></u>

7. EARNINGS PER SHARE

Basic earnings per share for the years ended 31 December 2021 and 2020 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 2021 and 2020 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 2021 and 2020.

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

	<u>2021</u>	<u>2020</u>
Numerator (in RMB millions):		
Profit attributable to equity shareholders of the Company used in computing basic/diluted earnings per share	<u>14,368</u>	<u>12,493</u>
Denominator (in millions):		
Number of ordinary shares outstanding used in computing basic/diluted earnings per share	<u>30,598</u>	<u>30,598</u>
Basic/Diluted earnings per share (in RMB)	<u>0.47</u>	<u>0.41</u>

8. ACCOUNTS RECEIVABLE

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

	<u>2021</u>	<u>2020</u>
Within one month	10,620	8,963
More than one month to three months	3,061	2,766
More than three months to one year	3,519	3,914
More than one year	<u>757</u>	<u>644</u>
	<u>17,957</u>	<u>16,287</u>

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. The Covid-19 pandemic since early 2020 has brought about additional uncertainties in the operations and financial position of the Group's customers. The Group considered the impact of Covid-19 when evaluating the forward-looking information used in the expected credit loss model and reassessed expected loss provisions including assessing the risk factors associated with various customer sectors and applying an upward risk weighting to major corporate customers as there is higher risk that a prolonged pandemic could lead to increased credit default rates.

9. DIVIDENDS

At the annual general meeting held on 13 May 2021, the shareholders of the Company approved the payment of a final dividend of RMB0.164 per ordinary share for the year ended 31 December 2020, totaling approximately RMB5,018 million which has been reflected as a reduction of retained profits for the year ended 31 December 2021.

At a meeting held on 19 August 2021, the Board of Directors of the Company declared the payment of an 2021 interim dividend of RMB0.120 per ordinary share to the shareholders totalling approximately RMB3,672 million. At a meeting held on 11 March 2022, the Board of Directors of the Company proposed the payment of a final dividend of RMB0.096 per ordinary share to the shareholders for the year ended 31 December 2021 totalling approximately RMB2,937 million. These proposed dividend has not been reflected as a dividend payable in the consolidated financial statements as at 31 December 2021, but will be reflected in the consolidated financial statements for the year ending 31 December 2022.

	<u>2021</u>	<u>2020</u>
Declared and paid interim dividend:		
RMB0.120 (2020: Nil) per ordinary share by the Company	3,672	—
Proposed final dividend:		
RMB0.096 (2020: RMB0.164) per ordinary share by the Company	<u>2,937</u>	<u>5,018</u>
	<u>6,609</u>	<u>5,018</u>

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 SAT of the PRC, pursuant to which the Company qualifies as a PRC TRE from 1 January 2008. Therefore, as at 31 December 2021, 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.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	<u>2021</u>	<u>2020</u>
Less than six months	119,332	116,553
Six months to one year	7,199	8,846
More than one year	<u>13,593</u>	<u>9,038</u>
	<u>140,124</u>	<u>134,437</u>

11. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

Proposed final dividend

After the statement of financial position date, the Board of Directors proposed a final dividend for the year of 2021. For details, please refer to Note 9.

BUSINESS OVERVIEW

In 2021, China Unicom upgraded its strategy to “Strengthen and solidify, preserve and innovate, integrate and open”. The Company actively served national strategies and integrated into the new development pattern, with firm progress towards high-quality development. It leveraged its IT centralisation advantages to advance digital transformation and service model innovation in full force. The Company strengthened integrated operation led by 5G services to enhance user acquisition capability.

Mobile Service

With the objectives of value first, experience first, and breakthrough in scale, China Unicom made every effort to implement 5G-led integration and cohort-based development, leading quality and scale development with 5G. The Company promoted the development of new 5G users and make breakthroughs in 5G scenarios in key markets and segmented groups. It promoted 5G upgrade of existing users through implementing refined customer segmentation and offering fit and suitable products based on precise Big Data analytics and deep insight from various scenarios. It innovated on multi-metric 5G products to ensure the competitiveness of contracts and products and full 5G package coverage of all customers, strengthening the contract-based and integrated development of 5G users. It improved pricing and contract flexibility to strengthen the differentiation of 5G core applications. It also promoted the innovative development of 5G terminals and pan-terminal industries so as to promote 5G terminal-network-business synergy.

The Company deepened the comprehensive digital transformation and improved its digital marketing service capabilities. With the transformation into the “platform + network + X” product model, it strengthened the overall management of all products as well as its integrated development and operation capabilities. It successfully launched platforms such as China Unicom Digital Village, China Unicom Smart Home and China Unicom Cloud Rhino for the 2C, 2H and 2B2C markets.

The Company accelerated the enhancement of terminal digital operation and supply chain ecosystem. It opened up the terminal operation system, ensured the stability of terminal supply and upgraded its capability in digital supply chain. Consumer financing instruments were widely employed, with more than 100,000 stores providing such financing services.

As of the end of 2021, the Company had approximately 317.12 million mobile billing subscribers, representing a cumulative net increase of 11.30 million subscribers for the year. The number of 5G package subscribers reached 154.93 million, representing a cumulative net increase of 84.10 million subscribers for the year.

Fixed-line Service

In 2021, China Unicom adhered to the comprehensive coordination of “terminal + network + business + operation + service + information” in the development of fixed-line service. Led by “Three-Gigabit”, the Company established a market-driven mechanism integrating terminal, network, business and service, thereby comprehensively improving its broadband access and resource management capabilities and achieving the coordinated development of broadband sales and network deployment. The Company accelerated the construction of gigabit networks and strengthened broadband capabilities in Southern China. Focusing on high-value regions, it pushed forward the deployment and upgrade of gigabit communities. It continued to carry out broadband speed measurement and upgrade activities and revitalise resources, comprehensively improving the efficiency of network resources. Leveraging on branding advantage associated with the Winter Olympics, the Company strengthened the development of gigabit broadband, laying a foundation for achieving total leadership in Northern China and targeted overtaking in Southern China. With the optimisation of the entire broadband process chain, the Company built a digital operation system of “two networks and one middle platform” for home users, thereby optimising resource allocation and promoting highly-efficient governance. The Company incorporated fixed-line local access into family packages to revitalise fixed-line local access resources, and launched innovative applications such as fixed-line video ringtones and business caller ID. In 2021, fixed-line broadband access revenue reached RMB44.8 billion, representing a year-on-year growth of 5.2%. During the year, the number of broadband subscribers increased by 8.95 million to 95.05 million and the broadband access ARPU was RMB41.3. FTTH subscribers’ penetration reached 88%.

Industry Internet

In cloud computing, as the foundation of digital transformation and integrated innovation, Unicom Cloud provided customers with integrated and innovative solutions including cloud resources, cloud platforms, cloud services, cloud integration, cloud interconnection, cloud security, etc. Computing efficiency was enhanced through the unified technical architecture and the unified PaaS platform. The Company made comprehensive deployment in Big Computing with totally revamped Unicom Cloud featuring upgraded technology, products, services and ecosystem. Open architecture, dual-engine base and multi-scenario deployment were all supported. PaaS products such as Big Data, IoT, AI, blockchain and security were deeply integrated with IaaS products. Basic product offerings continued to be enriched while product performance was significantly enhanced. The Company launched seven scenario-based cloud products to drive the digital transformation of thousands of industries. In 2021, the revenue of Unicom Cloud amounted to RMB16.3 billion.

In Big Data, the Company upgraded its capabilities in data application services, data technology services, data security services, AI and blockchain services. Focusing on industries such as government affairs, finance, cultural and tourism and transportation, etc., it optimised product offerings in government affairs Big Data, financial Big Data, cultural and tourism Big Data, industrial AI products and “industry + blockchain”. The Company also continuously supported pandemic prevention and control and resumption of work and production. Eight blockchain pilot projects were successfully selected as national blockchain innovation application pilot projects. In 2021, Big Data revenue reached RMB2.6 billion, representing a year-on-year growth of 48.7% with a market share ranking first among telecom operators for the third consecutive year.

In terms of the Internet of Things (“IoT”), the Company accelerated the promotion of a new pattern of IoT connectivity led by 5G. The number of connections reached over 300 million. The Company accelerated platform-based independent innovation. The Yanfei Zhilian connection management platform (CMP) carried over 160 million connections, becoming the main carrying platform. The Yanfei Gewu device management platform (DMP) has connected near a million of devices, over 200 object models and over 180 Open APIs since its commercial launch in April 2021, making it the central platform underlying China Unicom’s transition to integrated IoT “connectivity + non-connectivity” applications. The Company released the first low-cost lightweight Yanfei 5G module in China and cooperated with UNISOC to complete the world’s first R16-based eMBB + uRLLC + IIoT end-to-end verification, actively promoting the innovative development of the 5G IoT industry. In 2021, China Unicom’s IoT revenue reached RMB6.0 billion, representing a year-on-year growth of 43%.

In IT services, the Company strengthened internal innovation and achieved platform-based product capabilities, standardisation of self-developed products and R&D centralisation. It promoted the scale development of 5G applications to enhance gross margins. In Big Application, it developed over 200 proprietary application products, including signature products such as smart city base, central management console, industrial Internet platform, government affair Big Data platform, smart river chief, etc. in the fields of smart city, industrial Internet, digital government, environment, etc. The Company implemented over 8,000 industry application projects with proprietary capabilities, driving RMB6.0 billion in industry application revenue. It has formed differentiated competitive advantages comprising proprietary capabilities, self-developed products, proprietary integration and fulfilment and continuous operating services, fully empowering customers’ digital transformation.

NETWORK CAPABILITIES

In 2021, the Company conscientiously implemented the strategic deployment of “Cyber Superpower” and “New Infrastructure”. In order to build a differentiated network competitive advantage through digital transformation, the Company deepened network co-build co-share in the industry, strengthened network-business collaboration and service support, and continued to improve network competitiveness. It took multiple measures to effectively alleviate the

investment cost pressure brought by the large-scale 5G network construction and rapid business development. It deepened the digital, network-based and intelligent reform of the operation system and pushed forward the network digital transformation.

As at the end of 2021, the number of 5G base stations used reached 690,000. The number of 4G base stations reached 1.56 million with 4G population coverage reaching 95% and administrative village coverage reaching 91%. In the fixed-line network, the Company continued to expand network coverage in new regions and stepped up the network upgrade in areas with PON+LAN. The total number of broadband access ports reached 239 million, of which FTTH ports accounted for 91%. The Company continued to optimise its international network deployment. As at the end of 2021, the international submarine cable capacity, international Internet outbound capacity and inbound bandwidth reached 57.8T, 5.31T and 3.93T, respectively. The Company's international roaming services covered 627 operators in 260 countries and regions.

Marketing

Branding

In 2021, focusing on digital transformation, the Company's brand promotion was conducted around intelligence, guided by 5G and endorsed by the Winter Olympics, with a view to continuously advocating the creation of smart experience and building a smart brand with warmth. The promotion emphasised on key business advantages such as 5G, three-gigabit offerings, innovative applications, industry applications, gigabit network and high-quality services, etc. and was targeted towards on sub-markets and key industries such as households, rural villages, youth and government and corporate customers, etc. The Company's promotion took advantage of trending events and key festivals, while closely integrating the differentiated advantages of the Winter Olympics with branding and 5G to strengthen the Company's identity as a Winter Olympics partner and demonstrate the brand's strength. In terms of publicity, the Company continuously innovated on the means and forms of promotion, created a three-dimensional communication matrix to effectively convey a good corporate story. It continuously optimised its publicity content and diversified communication means, leading to greater user attention and improved brand value. The overall brand building was on a good momentum with improvement in both reputation and awareness.

Marketing strategies

In line with the trend of rural digital consumption upgrade, the Company implemented "Rural Revitalisation" strategy and continued to leverage 5G to upgrade rural market products and services such as Smart Home, Safe Villages and Digital Villages. In the youth market, targeting multimedia entertainment segments, the Company carried out cooperation with leading touchpoints to achieve scale development, grasped the back-to-school opportunities to carry out frontend-loaded marketing such as college broadband, college informatisation, 5G private network and K12 smart campus, etc.

The Company implemented programmes to “promote handset upgrade” and “promote network access”, driving the coordinated development of 5G terminal, network, business and service. With schemes like “terminal-business alignment” and “network-business alignment”, the Company continued to strengthen the alignment of broadband terminals, networks and businesses and improve the capability of gigabit network and user perception.

The Company consolidated its fundamental capabilities in existing business operation through integration, value enhancement, loss control and downgrade control, stabilising the scales of both existing revenue and subscribers and driving steady growth of service revenue.

Marketing channels

In 2021, the Company built a “platform-based, digital, smart and ecology-oriented” customer-centric marketing model based on new OMO channels. First, the Company accelerated the comprehensive transformation of offline channels towards targeted markets, kept close to targeted markets, optimised deployment, and comprehensively improved the coverage across communities and towns. It strengthened the construction of the “1 + N + n” business alliance and actively built a new ecosystem of offline channels. Second, it accelerated the improvement of centralised online operation capabilities to tap into potential traffic, sped up the upgrade of 2I2C products and marketing models, stabilised cooperation with leading companies, and actively expanded local innovative lead generation. It accelerated the differentiation of China Unicom APP, expanded user connections, and enhanced user activity, building an ecological cooperation platform. Third, the Company accelerated the online and offline integration, unified the public platform and business operation platform and connected the whole process and production scheduling. It deepened the construction of digital business outlets to expand mutual lead generation and improve channel capabilities.

FINANCIAL OVERVIEW

I. OVERVIEW

In 2021, the company's operating situation was stable, favourable momentum and efficiency of business scale continually enhance, the comprehensive strength led the company reached to a new level, achieving a good start in the "14th Five-Year Plan", the total revenue was RMB327.85 billion in 2021, up by 7.9% year-on-year. Service revenue reached RMB296.15 billion, up by 7.4% year-on-year. Net profit¹ was RMB14.37 billion, up by RMB1.88 billion year-on-year.

In 2021, the Company's net cash flow from operating activities was RMB110.64 billion. Capital expenditure was RMB68.96 billion. Liabilities-to-assets ratio was 43.6% as at 31 December 2021.

II. REVENUE

In 2021, the Company's revenue was RMB327.85 billion, up by 7.9% year-on-year, of which, service revenue was RMB296.15 billion, up by 7.4% year-on-year due to continuous optimisation of the revenue mix.

The table below sets forth the composition of service revenue, and the percentage contribution of each service to total service revenue for the years of 2021 and 2020:

(RMB in billions)	2021		2020	
	Total amount	As a percentage of service revenue	Total amount	As a percentage of service revenue
Service revenue	296.15	100.00%	275.81	100.00%
Include : Voice service	34.58	11.68%	35.49	12.87%
Non-voice service	261.57	88.32%	240.32	87.13%

1. Voice Service

In 2021, service revenue from the voice service was RMB34.58 billion, down by 2.6% year-on-year.

2. Non-Voice Service

In 2021, service revenue from the non-voice service was RMB261.57 billion, up by 8.8% year-on-year.

III. COSTS AND EXPENSES

In 2021, total costs and expenses amounted to RMB309.92 billion, up by 7.7% year-on-year.

The table below sets forth the items of the costs and expenses and their respective percentage of the revenue for the years of 2021 and 2020:

(RMB in billions)	2021		2020	
	Total amount	As a percentage of revenue	Total amount	As a percentage of revenue
Total costs and expenses	309.92	94.53%	287.81	94.73%
Operating costs	317.18	96.75%	292.72	96.34%
Include: Interconnection charges	11.56	3.52%	10.57	3.48%
Depreciation and amortisation	85.65	26.13%	83.02	27.32%
Network, operation and support expenses	53.09	16.19%	46.29	15.23%
Employee benefit expenses	58.94	17.98%	55.74	18.35%
Costs of telecommunications products sold	30.68	9.36%	26.86	8.84%
Selling and marketing expenses	32.21	9.83%	30.46	10.03%
General, administrative and other operating expenses	45.05	13.74%	39.78	13.09%
Finance costs, net of interest income	0.17	0.05%	0.38	0.13%
Share of net profit of associates	-1.86	-0.57%	-1.59	-0.52%
Share of net profit of joint ventures	-1.45	-0.44%	-0.79	-0.26%
Other income-net	-4.12	-1.26%	-2.91	-0.96%

1. Interconnection charges

The interconnection charges were RMB11.56 billion in 2021, up by 9.3% year-on-year and, as a percentage of revenue, increased from 3.48% in 2020 to 3.52% in 2021.

2. Depreciation and amortisation

Depreciation and amortisation charges were RMB85.65 billion in 2021, up by 3.2% year-on-year and, as a percentage of revenue, decreased from 27.32% in 2020 to 26.13% in 2021.

3. Network, operation and support expenses

Network, operation and support expenses were RMB53.09 billion in 2021, up by 14.7% year-on-year and, as a percentage of revenue, changed from 15.23% in 2020 to 16.19% in 2021 mainly due to increase in rental expenses of premises and equipment, network maintenance and energy consumption cost.

4. Employee benefit expenses

As a result of the ongoing effort in incentive mechanism reform to strengthen performance-based compensation and the acquisition of innovative talents in the meantime, employee benefit expenses were to RMB58.94 billion in 2021, up by 5.7% year-on-year and, as a percentage of revenue, changed from 18.35% in 2020 to 17.98% in 2021.

5. Cost of telecommunications products sold

Costs of telecommunications products sold were RMB30.68 billion and revenue from sales of telecommunications products were RMB31.70 billion in 2021. Gross profits on sales of telecommunications products was RMB1.02 billion.

6. Selling and marketing expenses

The Company fully promoted transformation on digitisation, strengthened O2O integrated operation and exercised stringent control over users development costs, selling and marketing expenses were RMB32.21 billion in 2021, up by 5.7% year-on-year and, as a percentage of revenue, decreased from 10.03% in 2020 to 9.83% in 2021.

7. General, administrative and other operating expenses

General, administrative and other operating expenses were RMB45.05 billion in 2021, up by 13.3% year-on-year, mainly due to the rapid growth of ICT services leading to increased related service costs and increased investment in technical support for innovative businesses.

IV. EARNINGS

1. Profit before income tax

In 2021, the Company benefited from continuous enhancement in growth quality and profitability, profit before income tax was RMB17.93 billion, up by 11.9% year-on-year.

2. Income tax expenses

In 2021, the Company's income tax expenses was RMB3.42 billion and the effective tax rate was 19.1%.

3. Profit for the year

In 2021, the Company's net profit¹ was RMB14.37 billion, increased by RMB1.88 billion year-on-year. Basic earnings per share was RMB0.470, up by 15.0% year-on-year.

V. EBITDA²

In 2021, the Company's EBITDA was RMB96.32 billion, up by 2.3% year-on-year. EBITDA as a percentage of service revenue was 32.5%, down by 1.6 percentage points year-on-year.

VI. CAPITAL EXPENDITURE AND CASH FLOW

In 2021, capital expenditure of the Company totaled RMB68.96 billion, which mainly consisted of investments in mobile network, broadband and data, and infrastructure and transmission network etc. In 2021, the Company's net cash flow from operating activities was RMB110.64 billion. Free cash flow³ was RMB41.68 billion after the deduction of the capital expenditure.

The table below sets forth the major items of the capital expenditure in 2021:

(RMB in billions)	2021	
	Total amount	As percentage
Total	68.96	100.00%
Include: Mobile network	33.89	49.14%
Broadband and data	12.93	18.75%
Infrastructure and transmission network	11.08	16.07%
Others	11.06	16.04%

VII. FINANCIAL POSITION

The Company's total assets changed from RMB580.62 billion as at 31 December 2020 to RMB591.08 billion as at 31 December 2021. Total liabilities changed from RMB253.10 billion as at 31 December 2020 to RMB257.64 billion as at 31 December 2021. The liabilities-to-assets ratio as at 31 December 2021 was 43.6%, basically same as the end of the prior year. The debt-to-capitalisation ratio decreased from 12.2% as at 31 December 2020 to 9.7% as at 31 December 2021. The net debt-to-capitalisation ratio was 0.4% as at 31 December 2021.

Note 1: Net profit represented profit attribute to equity shareholders of the Company.

Note 2: 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 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 3: 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.

AUDIT COMMITTEE AND EXTERNAL AUDITOR

The Audit Committee, together with the management and the auditor of the Company, Deloitte Touche Tohmatsu, have reviewed the accounting principles and practices adopted by the Group, and discussed internal control and financial reporting matters, including the review of the audited consolidated financial statements for the financial year ended 31 December 2021.

The figures in respect of the Group's consolidated results for the year ended 31 December 2021 as set out in this announcement have been agreed by the Company's auditor, Deloitte Touche Tohmatsu, to the amounts set out in the Company's audited consolidated financial statements for the year ended 31 December 2021. The work performed by Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Deloitte Touche Tohmatsu on this announcement.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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 Company has complied with Part 2 of the principals and the code provisions in the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the year ended 31 December 2021, except for the following:

The roles and responsibilities of the Chairman and the Chief Executive Officer of the Company were performed by the same individual for year ended 31 December 2021. 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.

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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code"), as set out in Appendix 10 to the Listing Rules 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 2021.

REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the year ended 31 December 2021, neither the Company nor any of its subsidiaries had repurchased, sold or redeemed any of the Company's listed securities.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on 12 May 2022 (the "AGM"). Notice of AGM will be published on the Company's website at www.chinaunicom.com.hk and the website of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") at www.hkexnews.hk and will be sent to shareholders of the Company (the "Shareholders") in due course.

FINAL DIVIDEND

The Board proposed to pay a final dividend of RMB0.096 per share (pre-tax) (the "2021 Final Dividend"), with an aggregate amount of approximately RMB2.937 billion, to the Shareholders. If approved by Shareholders at the AGM, the 2021 Final Dividend is expected to be paid in Hong Kong dollars on or about 15 June 2022 to those members registered in the Company's register of members as at 23 May 2022 (the "Dividend Record Date").

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining the Shareholders' rights to attend and vote at the AGM (and any adjournment thereof), and entitlement to the 2021 Final Dividend, the register of members of the Company will be closed. Details of such closures are set out below:

- (1) For ascertaining the Shareholders' rights to attend and vote at the AGM (and any adjournment thereof):

Latest time to lodge transfer documents for registration	4:30 p.m. of 3 May 2022
Closure of register of members	From 4 May 2022 to 12 May 2022
Record date	4 May 2022

- (2) For ascertaining the Shareholders' entitlement to the 2021 Final Dividend:

Latest time to lodge transfer documents for registration	4:30 p.m. of 20 May 2022
Closure of register of members	23 May 2022
Dividend Record date	23 May 2022

During the above closure periods, no transfer of shares will be registered. To be eligible to attend and vote at the AGM, and to qualify for the 2021 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 2021 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 Administration of Taxation of the People’s Republic of China (the “SAT”); (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 SAT, the Company is required to withhold and pay enterprise income tax when it pays the 2021 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 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 2021 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 Hong Kong Stock Exchange 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 2021 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 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 2021 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 20 May 2022, and present the documents from such Shareholder’s governing tax authority in 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 Dividend Record Date. The Company assumes no liability whatsoever in respect of and will not process any claims, arising from any delay in, or inaccurate determination of, the status of the shareholders, or any disputes over the mechanism of withholding.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The 2021 annual results announcement is published on the Company's website at www.chinaunicom.com.hk and the website of the Hong Kong Stock Exchange at www.hkexnews.hk. The 2021 annual report will be available on the websites of the Hong Kong Stock Exchange and the Company, and will be dispatched to the Shareholders in due course.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this announcement 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.

By order of the Board
China Unicom (Hong Kong) Limited
Liu Liehong
Chairman and Chief Executive Officer

Hong Kong, 11 March 2022

As at the date of this announcement, the Board of Directors of the Company comprises:

Executive directors:	Liu Liehong, Chen Zhongyue, Wang Junzhi, Mai Yanzhou and Li Yuzhuo
Independent non-executive directors:	Cheung Wing Lam Linus, Wong Wai Ming, Chung Shui Ming Timpson and Law Fan Chiu Fun Fanny