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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: 762)

**2022 ANNUAL RESULTS ANNOUNCEMENT AND
CLOSURE OF REGISTER OF MEMBERS**

Highlights:

- **Operating revenue reached RMB354.9 billion, up by 8.3% year-on-year, which was the highest growth rate in nine years. Service revenue reached RMB319.3 billion, up by 7.8% year-on-year.**
- **The revenue of Industry Internet business reached RMB70.5 billion, up by 28.6% year-on-year. The proportion of Industry Internet in service revenue exceeded 20% for the first time, and the proportion of innovative business revenue reached a record high.**
- **EBITDA¹ reached RMB99.2 billion, hitting a record high since the Company's listing.**
- **The profit attributable to equity shareholders of the Company reached RMB16.7 billion, representing a year-on-year increase of 16.5%. Excluding non-operating gains and losses, the profit attributable to equity shareholders of the Company reached a new high since the Company's listing.**
- **The Board proposed a final dividend of RMB0.109 per share. Together with the interim dividend of RMB0.165 per share already paid, the full-year dividend reaches RMB0.274 per share, representing a year-on-year increase of 26.9%. The dividend payout ratio is 50% and up by 4 percentage points year-on-year.**

CHAIRMAN’S STATEMENT

Dear Shareholders,

2022 was a year when the digital economy played a prominent role as the “accelerator” of national economy and became a key driver of economic recovery. It was also a year when China Unicom firmly stayed on the main channel of the digital economy and commenced the full implementation of its new strategy. Adhering to the strategic guidance of “Strengthen and Solidify, Preserve and Innovate, Integrate and Open” and shouldering responsibilities as “the national team, the key force and the frontline troop”, we unveiled a new paradigm for the Company’s faster transformation into a leading enterprise in digital technologies. We stayed forward-looking and vigorously enhanced basic network capabilities and customer service quality. We adhered to innovation-driven development and made multiple achievements in the five main businesses while our core technological innovation capabilities were improved significantly. We insisted on open cooperation, as our integrated operation and service system continuously improved and the industry ecosystem strengthened significantly. The Company’s development scaled new historical heights.

OVERALL RESULTS

In 2022, the Company achieved “four new highs” in business development: Firstly, operating revenue reached RMB354.9 billion, up by 8.3% year-on-year, which was the highest growth rate in nine years. Secondly, the profit attributable to equity shareholders of the Company reached RMB16.7 billion, representing a year-on-year increase of 16.5%. Excluding non-operating gains and losses², the profit attributable to equity shareholders of the Company reached a new high since the Company’s listing. Thirdly, the proportion of Industry Internet in service revenue exceeded 20% for the first time, and the proportion of innovative business revenue reached a record high. Fourthly, EBITDA reached RMB99.2 billion, hitting a record high since the Company’s listing.

We resolutely implemented the Cyber Superpower, Digital China and Smart Society strategic deployments. Today, China Unicom is accelerating its transformation from a traditional operator to a leading enterprise in digital technologies. We have achieved transformation and upgrade in four dimensions: First is the upgrade of connectivity scale and structure, which expanded from human connections previously to the connections of people, devices and things as we vigorously developed Internet of Things (IoT) and industrial Internet. Second is the upgrade of our core functions, which expanded from basic connectivity to five main responsibilities and main businesses, namely Big Connectivity, Big Computing, Big Data, Big Application and Big Security. Third is the upgrade of service and empowerment. With the integration of next-generation information technologies such as 5G, cloud computing, Big Data, artificial intelligence (AI) and blockchain and the real economy, our capability to serve the digital government, digital society and digital economy was further enhanced. Fourth is the upgrade of our development philosophy. We changed from the traditional market-driven development model to one which is dually driven by both market and innovation. In particular, we increased investment on technological innovation and talents, unleashing unprecedented momentum of innovative development.

In the face of tremendous opportunities in the vast blue ocean of the digital economy, we actively built up our core capabilities. Our full-year capital expenditure reached RMB74.2 billion, which has laid a solid foundation for the stable and long-term development of the Company. The Company continued to be in a strong and healthy financial position in recent years. Its liabilities-to-assets ratio remained at a reasonable level of 46.5%, and its finance costs decreased by 20.9% year-on-year. The Company's financial strength and ability to counter risks were continuously enhanced.

The Company highly values shareholder return. Taking into consideration the Company's good business development, the Board proposed a final dividend of RMB0.109 per share. Together with the interim dividend of RMB0.165 per share already paid, the full-year dividend reaches RMB0.274 per share, representing a year-on-year increase of 26.9%. The Company will continue to strive to enhance profitability and shareholder return in the future.

FORWARD-LOOKING AND DEDICATED TO BUILDING UP BASIC CAPABILITIES

Network is the foundation of development, and service is the fundamental of the industry. Since the implementation of the new strategy, we have been making great efforts to construct intelligent and comprehensive digital information infrastructure, actively building an unobstructed information channel and a new digital base for economic and social development. We spared no effort to enhance our service quality and strived to build "fully integrated" high-quality service. We have won extensive praise for our service reputation that draws customers from afar.

Further cemented network foundation

In the past year, the Company continued to increase its investment in basic network capabilities, and the construction of "four premium networks" made remarkable progress. For 5G premium network, 310,000 5G mid-band base stations and 170,000 900M base stations were added, with the administrative village coverage reaching 96%. The scale and coverage of mid-band 5G were on par with the industry, which helped our mobile subscriber scale reach a new high. For broadband premium network, we maintained our leading advantage in Northern China. 2.14 million 10 G PON ports were added. Urban residential coverage³ in Southern China reached 80%, which laid a solid foundation for the rapid growth of broadband subscribers in the past two years. For government and enterprise premium network, 307 cities and nearly 150,000 commercial buildings were covered. The Company continued to consolidate its industry-leading leased line brand, with accelerating leased line revenue growth. For computing power premium network, the Company actively implemented the Eastern Data and Western Computing strategy, enhanced the "5 + 4 + 31 + X" multi-tier architecture, and strengthened its leading advantage in backbone network latency and multi-cloud collaboration. Computing power investment for the year amounted to RMB12.4 billion. Supply of resources was more abundant with "one resource pool per city" in 170 cities and over 400 MEC nodes. Deployment of computing power was improved with the number of IDC cabinets reaching 363,000 and 23 provinces covered by 1,000-cabinet IDCs. Our multi-cloud collaboration capability has been industry-leading, with the lowest backbone transmission latency in the industry and 336 internal and external cloud resources pools connected. In the future, the Company will continue to enhance its resource supply capacity in various aspects such as cloud computing, IDCs and backbone carrier network to further strengthen the foundation for the rapid development of the digital economy.

Our co-build co-share with China Telecom continued to deepen, with the number of shared 5G base stations reaching a million, accounting for 30% of the world's total 5G base stations. We vigorously promoted 700M base station roaming in remote rural areas, and has started commercial trial on live network. The number of shared 4G base stations reached 1.1 million, and cross-sector co-build co-share of infrastructure such as poles and pipelines was also being executed and advanced. Through 5G/4G co-build co-share, we have saved more than RMB270 billion in investment for the country on a cumulative basis, and can save operating costs of more than RMB30 billion a year and reduce carbon emissions by more than 10 million tonnes a year.

Further bolstered service quality

We have been adhering to the original aspiration of “people’s post and telecommunications for the people”. Being customer-centric, we insist on creating value for customers. The Company further leveraged its edges in unified and centralised operation as well as data integration. Resolution ratio of smart customer service exceeded 98%, and smart customer service ratio exceeded 83%. Customer perception improved significantly, and the valid complaint rate compiled by the Ministry of Industry and Information Technology (MIIT) hit another record low. The Company strengthened customer care. It launched the Elderly Exclusive Service Campaign and a brand-new youth-focused brand “Unicom WO Pai”. It optimised hotline operations with industry-leading daily get-through rate in 31 provinces. It bolstered service system and shaped differentiated service reputation. It enhanced service effectiveness, with satisfactory resolution rate of customer issues improved by 22 percentage points.

EMBRACING INNOVATION TO UNLOCK NEW GROWTH POTENTIAL

On the basis of ensuring stable development, we continued to promote in-depth and multi-dimensional innovation and transformation, striving to find a way of development with the characteristics of China Unicom. The Company achieved stable development in the personal and household markets with dual improvement in the scale and value of basic businesses, providing good support to overall growth. It accelerated innovation and transformation and consolidated unique advantages. Industry Internet, a new growth engine, brought brand-new vibrancy to the Company’s development in the new era. In 2022, the Company’s service revenue reached RMB319.3 billion, up by 7.8% year-on-year.

Solidified basic businesses

In 2022, the Company overcame the adverse impact of the pandemic and made new breakthroughs in the scale and value of Big Connectivity. The number of mobile billing subscribers exceeded 320 million. The penetration rate of 5G package subscribers reached 66%, signifying improved subscriber structure. The Company optimised the product mix of its basic businesses. Mobile subscriber ARPU increased for three consecutive years, evidencing further enhancement of subscriber value. Riding on industry development trends, the Company took advantage of “dual gigabit” network upgrade to build an integrated and segmented development model and create a foundation for the sustainable growth of broadband business. The number of fixed-line broadband subscribers exceeded 100 million. The net addition of

subscribers exceeded 8 million for two consecutive years. The penetration rate of broadband subscribers reached 75%. The integrated ARPU exceeded RMB100 for the first time, further opening up the huge development potential of the household market. The Company strengthened the supply of 5G digital smart living and smart home application products by launching new products and services such as 5G New Calling, elderly exclusive service and “Unicom WO Pai”, etc., vigorously leveraging differentiated advantages driven by product innovation, so as to build up the momentum of the innovative transformation and continuous growth of basic businesses.

Faster growth of innovative businesses

The Company’s Industry Internet business continued to accelerate with revenue in 2022 exceeding RMB70 billion for the first time, representing a year-on-year growth of 29%. Both its scale and growth rate improved. The value of Big Connectivity grew, with the number of IoT connections reaching approximately 390 million. We had nearly 70% market share in new 5G connections. We were the first operator with IoT connections exceeding human connections. IoT revenue amounted to RMB8.6 billion, up by 42% year-on-year. Non-connection revenue grew by 63%, significantly outperforming the industry. The Company was building up momentum in Big Computing as “Unicom Cloud⁴” continued to double with revenue in 2022 reaching RMB36.1 billion, up by 121% year-on-year. We launched Unicom Cloud version 7.0. We further bolstered our “secure digital smart cloud” brand image, and further enhanced our proprietary R&D and innovation capability. The full stack of our proprietary and controllable cloud is 100% self-developed and is compatible with more than 90% of domestic mainstream software and hardware products, meeting customers’ localisation needs. The overall rating of our government affairs cloud platform ranked no. 1 in the country. In 2022, we implemented more than 10 provincial government affairs cloud projects and more than 200 hospital cloudification projects. The Company maintained its leadership in Big Data, and achieved revenue of RMB4.0 billion, up by 58% year-on-year. In recent years, we have provided digital government development services to more than 20 provincial governments and 100 municipal governments, and have provided Big Data capability support to 25 ministries and commissions. We deeply participated in the digital and intelligent operation of governments at all levels, highlighting our advantages in data governance and data security. The Company is leading the way in Big Application. By the end of 2022, it has built over 16,000 large-scale 5G application projects on a cumulative basis, which were replicated among 52 major categories of the national economy. It built more than 1,600 fully 5G-connected factories, establishing the no. 1 brand in “5G + Industrial Internet” and setting sail for a new journey which travels steadily and far. In 2022, the Company won the “Enterprise 5G Leadership Award” at the 19th 5G World Summit. The Company accounted for 40% of the project nominations at the 5th “Blooming Cup” (5G application contest) organised by the MIIT and won the most awards in the industry. Big Security achieved rapid growth. The Company set up a dedicated network and information security department and a cybersecurity research institute, with over 1,200 security operation staffs. It operated the Cybersecurity Industry Innovation and Development Alliance of China, and worked with nearly 400 partners to fortify the “New Great Wall” for cybersecurity. Big Security revenue in 2022 grew by nearly 4 times. Our security capabilities have served over 10,000 customers cumulatively.

Deepened Technological Innovation Transformation

The Company has made milestone progress in achieving high-level independence and competence in technologies. We established China Unicom Science and Technology Association and engaged 16 fellows as special experts of the Technology Committee. Our technological innovation was strengthened with industry-leading R&D spending intensity. R&D expenses in 2022 increased by 43% year-on-year. The proportion of technological innovation talents reached 30%. We were granted 1,666 patents. Revenue of self-developed products increased by more than 70% year-on-year. We stepped up efforts in core technological R&D, and put into application 63 outcomes such as signal Big Data platform, 5G full connectivity platform and self-developed UPF, etc. With the upgrade of our smart brain, 402 kinds of online services have been made available in the China Unicom APP, enabling total online experience of core businesses. The Company was awarded the honorary title of “Outstanding Contribution Enterprise in Technological Innovation” by the SASAC for three consecutive years, and was awarded the 2022 World Internet Leading Technological Achievement Award as well as the First Prize at the 2022 World Artificial Intelligence Conference. These accolades proved the rapid improvement of China Unicom’s technological innovation and strengthened our determination to make further inroads in technological innovation.

SHARING THE DEVELOPMENT BENEFITS OF THE ERA THROUGH OPEN COOPERATION

In the digital era, cross-sector collaboration is commonplace. With integration of factors such as technologies and production processes as well as commercial and market convergence, new vitality emerges in various industries. We continued to promote open cooperation ecosystem and actively lead collective efforts. Taking advantage of its pivotal position in the upstream and downstream value chain, the Company attracted more partners to join the ecosystem. It took the initiative to integrate into the development of the digital economy, and deepened integration and open cooperation. The Company fully promoted the capability generation model of “one China Unicom with integrated capabilities and operating services” and established 10 industry forces covering 9 major sectors. It fully combined the systematic professional capabilities of 17 professional subsidiaries and 19 industrial Internet companies with the national four-tier operational system comprising the headquarters, provinces, cities, counties and villages to provide customers with integrated solutions and operating services. Synergy between domestic and international operations have been boosted. We have international Internet interconnection with more than 140 operators worldwide, with international interconnection bandwidth reaching 100 Tbps. Data roaming service covers nearly 250 countries and regions. We served and integrated into local economic and social development more proactively, and signed strategic cooperation agreements with 27 provincial governments and 109 large enterprises. We provided digital village services to more than 230,000 administrative villages, building the no. 1 brand in digital villages. Our cooperation with Tencent, Alibaba, JD.com, Baidu and other strategic investors was comprehensively upgraded as we worked with them to jointly promote value creation. We actively embraced the comprehensive registration system reform. China Unicom Smart Connection Technology Limited, a subsidiary of the Company, is proposed to be spun off and listed on the Sci-Tech Innovation Board to share the fruitful benefits and promising prospects of the Company’s development with more investors. It will strive to contribute to the development of Transportation Superpower, Cyber Superpower and Digital China with the power of China Unicom.

SOCIAL RESPONSIBILITY AND CORPORATE GOVERNANCE

As a warm-hearted, responsible and bold enterprise, China Unicom always believes in extending kindness through technology and sharing warmth with actions. The Company actively devoted itself to the development of social welfare undertakings, and deeply focused on the four major areas of ideological continuity, social livelihood, environmental protection and pandemic safety. As always, China Unicom implemented national requirements with practical actions, fulfilled social responsibilities in return to people's trust, and contributed to the construction of a warm and harmonious society. We continued to provide love and assistance to diversified groups such as the elderly, left-behind children, labour workers and youth students. Believing in sustainable development, the Company cares deeply about environmental protection on an ongoing basis. By frequently carrying out various voluntary campaigns, we contributed to ecological protection and restoration. The Company actively responded to national initiatives and shouldered responsibilities as a central state-owned enterprise. Driven by the three major means, reducing the rent of small and medium-sized enterprises, clearing outstanding payables to private enterprises and reducing financing costs of small and medium-sized enterprises, the Company dedicated itself to helping small and medium-sized enterprises overcome difficulties, strongly underpinning the prosperity and development of market economy. We continued to strengthen the base for digital villages and consolidate the foundation for rural revitalisation and development, building an information highway for digital agriculture and smart village.

We care about the realisation of capital market value and actively explore the reshaping and upgrade of valuation methodology. The Company took the lead in revamping the monthly disclosure metrics that had been used for 20 years, and joined hands with China Telecom and China Mobile to organise the first telco industry joint investor briefing. We are pleased to see the capital market's positive response to the Company's development prospects. As the first central SOE to echo attempt to reshape valuation methodology, the Company's performance in the capital market was outstanding with boosted share price and trading volume. Our share price has surged by over 90% from the trough⁵. Since November last year, China Unicom A Share, the controlling shareholder of the Company, has been the most traded stock in the A-share market during the period⁶. China Unicom actively responds to the reshaping of valuation methodology, and will continue to provide good return to shareholders and the market by enhancing corporate value.

The Company continued to improve its governance mechanism, enhance its execution, strengthen risk management and internal control to provide solid support for the sustainable and healthy development of the Company. It received numerous recognitions, including ranking 267th in "Fortune Global 500" for the year 2022, ranking 366th in "The Forbes Global 2000" for the year 2022 and being voted as "Asia's Most Honoured Telecom Company" by Institutional Investor for the seventh consecutive years.

OUTLOOK

Information is an important carrier for the evolution of human civilisation. Recently, new concepts such as Metaverse, digital twin and AI generated content (AIGC) have emerged and new technologies continuously redefine market perception, which has put forward greater challenges to the capacity and experience requirements of information pipelines and computing power network, while providing industry players with huge opportunities. By 2025, China's digital economy will exceed RMB60 trillion⁷. The huge market, the blue ocean of development and eye-catching technologies have created enormous prospects for future and imagination. Today, China Unicom is accelerating its transformation into a leading enterprise in digital technologies. We ride on the reshaping of valuation methodology to actively contribute to the high-quality development of a "Chinese modern capital market". In 2023, we will further step up investment. Capital expenditure will reach RMB76.9 billion, of which computing power network investment will account for more than 19% and grow by over 20% year-on-year, in an effort to solidify a digital base. We will further strengthen technological investment to develop more specialised and innovative products in the five main responsibilities and main businesses, so as to enhance our core competitiveness and innovation-driven capability. We will further build stronger operating service system. With a focus on strengthening county-level companies, we will bolster our marketing capabilities to enhance market-driven development. We will further strengthen digital transformation, and comprehensively turn the Company's digital system from good to excellent, so as to enhance our digitally empowered production and operation capabilities. We will be a better "way-paver" to provide the "No. 1 connection" for the digital economy. We will be a better "enabler" to empower the digital transformation of thousands of industries. We will be a better "guard" to build the most reliable cybersecurity defence line for the development of the digital economy. We will continue to deeply implement the "1 + 9 + 3" strategic planning system, make new achievements in high-quality development with new morale and initiatives, and contribute to Chinese-style modernisation with digital, network-based and intelligent transformation. We will stabilise growth, enhance capability and create value, with an aim to maintain steady growth of service revenue, double-digit growth of net profit, and continuous improvement of return on equity in the year.

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.

Liu Liehong

Chairman and Chief Executive Officer

Hong Kong, 8 March 2023

- 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:* Excluding the one-off gain from the sale of CDMA network in 2008, the profit attributable to equity shareholders of the Company reached the highest since listing.
- Note 3:* Urban residential coverage rate in the 21 southern provinces.
- Note 4:* 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 5:* Based on the intra-day lowest price of HK\$3.27 on 28 October 2022 and intra-day highest price of HK\$6.31 on 3 March 2023.
- Note 6:* Cumulative trading volume for the period between 1 November 2022 and 3 March 2023.
- Note 7:* Data were sourced from the China Academy of Information and Communications Technology.

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 2022 which were extracted from the audited consolidated financial statements of the Group as set out in the Company’s 2022 annual report.

CONSOLIDATED STATEMENT OF INCOME

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

	Note	Year ended 31 December	
		2022	2021
Revenue	5	354,944	327,854
Interconnection charges		(10,947)	(11,557)
Depreciation and amortisation		(86,829)	(85,652)
Network, operation and support expenses		(56,425)	(53,087)
Employee benefit expenses		(60,726)	(58,944)
Costs of telecommunications products sold		(34,720)	(30,683)
Other operating expenses		(92,957)	(77,263)
Finance costs		(1,095)	(1,385)
Interest income		1,747	1,215
Share of net profit of associates		2,153	1,862
Share of net profit of joint ventures		1,593	1,448
Other income — net		3,850	4,119
Profit before income tax		20,588	17,927
Income tax expenses	6	(3,751)	(3,420)
Profit for the year		16,837	14,507
Profit attributable to:			
Equity shareholders of the Company		16,745	14,368
Non-controlling interests		92	139
Profit for the year		16,837	14,507
Earnings per share for profit attributable to equity shareholders of the Company during the year:			
Basic earnings per share (RMB)	7	0.55	0.47
Diluted earnings per share (RMB)	7	0.55	0.47

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

	Year ended 31 December	
	2022	2021
Profit for the year	<u>16,837</u>	<u>14,507</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)	(160)	135
Tax effect on changes in fair value of financial assets measured at FVOCI (non-recycling)	<u>(2)</u>	<u>(3)</u>
Changes in fair value of financial assets measured at FVOCI, net of tax (non-recycling)	(162)	132
Others	<u>(5)</u>	<u>(23)</u>
	<u>(167)</u>	<u>109</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)	(53)	(3)
Share of other comprehensive income of associates	2	—
Currency translation differences	<u>408</u>	<u>(133)</u>
	<u>357</u>	<u>(136)</u>
Other comprehensive income for the year, net of tax	<u>190</u>	<u>(27)</u>
Total comprehensive income for the year	<u>17,027</u>	<u>14,480</u>
Total comprehensive income attributable to:		
Equity shareholders of the Company	16,940	14,341
Non-controlling interests	<u>87</u>	<u>139</u>
Total comprehensive income for the year	<u>17,027</u>	<u>14,480</u>

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

		As at 31 December	
	<u>Note</u>	<u>2022</u>	<u>2021</u>
ASSETS			
Non-current assets			
Property, plant and equipment		352,433	355,031
Right-of-use assets		59,227	32,866
Goodwill		2,771	2,771
Interest in associates		42,469	41,278
Interest in joint ventures		8,582	7,138
Deferred income tax assets		469	271
Contract assets		61	71
Contract costs		5,857	4,025
Financial assets measured at fair value		4,109	3,715
Other assets		20,442	17,682
		<u>496,420</u>	<u>464,848</u>
Current assets			
Inventories		1,882	1,846
Contract assets		271	406
Accounts receivable	8	26,331	17,957
Prepayments and other current assets		21,155	17,925
Amounts due from ultimate holding company		4,606	10,558
Amounts due from related parties		465	270
Amounts due from domestic carriers		1,944	2,007
Financial assets measured at fair value		19,593	29,011
Short-term bank deposits and restricted deposits		14,699	11,968
Cash and cash equivalents		55,297	34,280
		<u>146,243</u>	<u>126,228</u>
Total assets		<u><u>642,663</u></u>	<u><u>591,076</u></u>

		As at 31 December	
	<u>Note</u>	<u>2022</u>	<u>2021</u>
EQUITY			
Equity attributable to equity shareholders of the Company			
Share capital		254,056	254,056
Reserves		(15,234)	(17,228)
Retained profits			
— Proposed final dividend	9	3,335	2,937
— Others		99,462	92,572
		<u>341,619</u>	<u>332,337</u>
Non-controlling interests		<u>1,917</u>	<u>1,096</u>
Total equity		<u><u>343,536</u></u>	<u><u>333,433</u></u>
LIABILITIES			
Non-current liabilities			
Long-term bank loans		1,528	1,835
Lease liabilities		36,429	10,415
Deferred income tax liabilities		950	417
Deferred revenue		7,832	6,951
Amounts due to ultimate holding company		300	—
Amounts due to related parties		—	742
Other obligations		1,218	1,098
		<u>48,257</u>	<u>21,458</u>

		As at 31 December	
	<u>Note</u>	<u>2022</u>	<u>2021</u>
Current liabilities			
Short-term bank loans		331	385
Commercial papers		5,025	6,875
Current portion of long-term bank loans		368	372
Current portion of promissory notes		—	1,004
Current portion of corporate bonds		—	2,039
Lease liabilities		12,495	12,144
Accounts payable and accrued liabilities	10	154,838	140,124
Bills payable		5,811	4,246
Taxes payable		2,197	1,435
Amounts due to ultimate holding company		1,759	4,028
Amounts due to related parties		18,326	12,926
Amounts due to domestic carriers		2,125	2,262
Current portion of other obligations		2,493	2,519
Contract liabilities		44,714	45,704
Advances from customers		388	122
		<u>250,870</u>	<u>236,185</u>
Total liabilities		<u>299,127</u>	<u>257,643</u>
Total equity and liabilities		<u>642,663</u>	<u>591,076</u>
Net current liabilities		<u>(104,627)</u>	<u>(109,957)</u>
Total assets less current liabilities		<u>391,793</u>	<u>354,891</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. 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 (“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 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 2022 and 2021 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 2021 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 2022 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 2022, current liabilities of the Group exceeded current assets by approximately RMB104.6 billion (2021: approximately RMB110.0 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 RMB193.5 billion of revolving banking facilities of which approximately RMB184.6 billion was unutilised as at 31 December 2022; 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 2022 have been prepared on a going concern basis.

(b) New Accounting Standards and Amendments

- (i) The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group:
 - Amendments to HKFRS 3, "Reference to the Conceptual Framework"
 - Amendments to HKAS 16, "Property, Plant and Equipment — Proceeds before Intended Use"
 - Amendments to HKAS 37, "Onerous Contracts — Cost of Fulfilling a Contract"
 - Amendments to HKFRSs, "Annual Improvements to HKFRSs 2018–2020"

In addition, the Group applied the agenda decisions of the International Financial Reporting Standard Interpretations Committee of the International Accounting Standard Board (the "Committee"), including "Demand Deposits with Restrictions on Use arising from a Contract with a Third Party" (IAS 7, "Statement of Cash Flows") and "Lessor Forgiveness of Lease Payments" (IFRS 9, "Financial Instruments" and IFRS 16, "Leases"), which are 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 application of the above 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.

- (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 2022 and which have not been 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 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 (including the October 2020 and February 2022 Amendments to HKFRS 17), “Insurance Contracts”	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
Amendments to HKFRS 16, “Lease Liability in a Sale and Leaseback”	1 January 2024

The Group has not applied any new standard or amendments to HKFRSs that is not yet effective for the current accounting period. The Group is assessing the impact of such new standard and amendments to standards, and will adopt the relevant new standard and amendments in the subsequent periods as required. 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”) 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.

	<u>2022</u>	<u>2021</u>
Total service revenue	319,348	296,153
Sales of telecommunications products	<u>35,596</u>	<u>31,701</u>
Total	<u><u>354,944</u></u>	<u><u>327,854</u></u>

6. TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 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% (2021: 25%). Taxation for certain subsidiaries in the PRC was calculated at a preferential tax rate of 15% (2021: 15%).

	<u>2022</u>	<u>2021</u>
Provision for income tax on the estimated taxable profits for the year		
— Hong Kong	36	83
— Mainland China and other jurisdictions	3,422	2,625
Over provision in respect of prior years	<u>(58)</u>	<u>(115)</u>
	3,400	2,593
Deferred taxation	<u>351</u>	<u>827</u>
Income tax expenses	<u><u>3,751</u></u>	<u><u>3,420</u></u>

7. EARNINGS PER SHARE

Basic earnings per share for the years ended 31 December 2022 and 2021 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 2022 and 2021 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 2022 and 2021.

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

	<u>2022</u>	<u>2021</u>
Numerator (in RMB millions):		
Profit attributable to equity shareholders of the Company used in computing basic/diluted earnings per share	16,745	14,368
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)	<u>0.55</u>	<u>0.47</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>2022</u>	<u>2021</u>
Within one month	10,609	10,620
More than one month but not more than three months	5,135	3,061
More than three months but not more than one year	9,070	3,519
More than one year	1,517	757
	<u>26,331</u>	<u>17,957</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 ECL model and reassessed expected loss provisions including assessing the risk factors associated with various customer sectors.

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 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 a meeting held on 8 August 2022, the Board of Directors of the Company declared the payment of 2022 interim dividend of RMB0.165 per ordinary share to the shareholders totalling approximately RMB5,049 million. At a meeting held on 8 March 2023, the Board of Directors of the Company proposed the payment of a final dividend of RMB0.109 per ordinary share to the shareholders for the year ended 31 December 2022 totaling approximately RMB3,335 million. These proposed dividend has not been reflected as a dividend payable in the consolidated financial statements as at 31 December 2022, but will be reflected in the consolidated financial statements for the year ending 31 December 2023.

	<u>2022</u>	<u>2021</u>
Declared and paid interim dividend:		
RMB0.165 (2021: RMB0.120) per ordinary share by the Company	5,049	3,672
Proposed final dividend:		
RMB0.109 (2021: RMB0.096) per ordinary share by the Company	<u>3,335</u>	<u>2,937</u>
	<u>8,384</u>	<u>6,609</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 State Taxation Administration (“STA”) of the PRC, pursuant to which the Company qualifies as a PRC TRE from 1 January 2008. Therefore, as at 31 December 2022, 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 billing date is as follows:

	<u>2022</u>	<u>2021</u>
Less than six months	131,138	119,332
Six months to one year	8,008	7,199
More than one year	<u>15,692</u>	<u>13,593</u>
	<u>154,838</u>	<u>140,124</u>

11. NON-ADJUSTING EVENT 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 2022. For details, please refer to Note 9.

BUSINESS OVERVIEW

2022 is the starting year for China Unicom to fully implement its new strategic plan. Adhering to the guidance of President Xi Jinping's Thought on Socialism with Chinese Characteristics in the new era, China Unicom resolutely implements the decision and deployment of the State Council. Sticking to its corporate positioning as the "national team in the operation and service of digital information infrastructure, key force in the establishment of Cyber Superpower, Digital China and Smart Society and frontline troop in the integration and innovation of digital technologies" and under the strategic guidance of "Strengthen and Solidify, Preserve and Innovate, Integrate and Open", the Company vigorously developed its five main responsibilities and main businesses, namely "Big Connectivity, Big Computing, Big Data, Big Application and Big Security", and steadily improved the effectiveness of the "1 + 9 + 3" strategic planning system, achieving a good start in the first year of the full implementation of its new strategy.

"In terms of "Big Connectivity", China Unicom seized the development opportunities of "dual-gigabit" and "IoT connections exceeding human connections", and adhered to coordinated development in terms of quantity, quality, structure, and efficiency. Strategic positioning, policy design, and resource allocation were all working in the same directions to achieve value-based operation based on scale, compliant development based on quality, integrated development based on structure, and effective development based on efficiency. The Company fully promoted the value-based operation with terminal-network-business synergy around the integration development of all subscribers, and focused on increasing the scale and value of connectivity. By December 2022, the subscriber scale reached a new record, with a cumulative total of 860 million "Big Connectivity" subscribers and broadband subscribers crossing the 100 million historical mark. 5G package subscribers reached a cumulative total of 210 million. The Company launched the "Gewu" device management platform, delving into the two major fields of smart cities and industrial internet, providing customers with convenient and professional device management services. China Unicom was the first operator in the industry with IoT connections exceeding human connections, with the cumulative number of IoT terminal connections reaching 386 million.

In terms of "Big Computing", Unicom Cloud has been fully upgraded to version 7.0, with breakthroughs in core technologies. The core performance indicators of computing, storage and network were enhanced. The Company is the only operator that received excellent certification for its cloud-native container platform in financial scenarios. It successfully launched a self-developed operating system, CULinux, and a self-developed database. By deepening its "5 + 4 + 31 + X" cloud resource allocation and promoting further penetration of provincial nodes, the Company is gradually realising its deployment of computing power with one pool for one city. The new Unicom Cloud product system, which consists of industry cloud version, private cloud version and information technology innovation cloud version, comprehensively meets customers' needs for cloudification in all scenarios. The Company also supported the construction of digital government and smart city, provided technical support for pandemic prevention, and actively participated in the digital transformation of central state-owned enterprises.

In terms of “Big Data”, the Company continued to upgrade its capabilities in integrated innovation of data, artificial intelligence, blockchain, consolidate its data governance, data security and data visualisation service capabilities, and improve its product system. The Company released the “Zizhi” Government Affairs Big Data Platform. 11 capabilities were included in the Data Governance Industry Map of the China Academy of Information and Communications Technology. In the fields of digital government, digital finance, smart culture and tourism, data security, etc., the Company has realised large-scale replication of provincial and municipal benchmark projects. China Unicom’s Big Data business maintained rapid development, continuously led the industry in market share, and had the largest blockchain patent reserve among central state-owned enterprises.

In terms of “Big Applications”, the Company was committed to creating more diverse and user-friendly innovative products, deepening supply-side structural reform of products for individuals and households. China Unicom launched a 5G New Calling product series and constructed the “Unicom Smart Home” product system to bring new quality upgrade of experiences to its customers. China Unicom deeply implemented “one Unicom, integrated capability aggregation, and integrated operation service”. It focused on vertical industries and honed its specialized and innovative abilities. The Company has independently developed more than 200 products in 14 fields including digital government, smart city, industrial Internet and medical and healthcare, with new contract value of more than RMB10 billion for the year, more than the previous 3 years combined. Based on the 5GC 2B three-dimensional network architecture featuring “One cloud with extensive network coverage”, the Company continued its innovation of 5G private network PLUS, and won the “Enterprise 5G Leadership Award” at the 19th 5G World Summit hosted by Informa Tech. Furthermore, the Company released the 5G Private Network Product System 3.0 and created 50 innovative application products to serve more than 3,800 industry private network customers, with more than 16,000 “commodity flat” projects of large-scale 5G application. Taking the construction of fully 5G-connected factories for industrial enterprises in key industries, including steel, mining and equipment manufacturing as a means, the Company penetrated into the construction of application in 20 scenarios across the industry, creating more than 1,600 fully 5G-connected factory projects. It has preliminarily achieved scale application in auxiliary production processes such as on-site auxiliary assembly and intelligent logistics in the factory, etc. and is penetrating into core application scenarios such as remote equipment control and flexible production and manufacturing.

In terms of “Big Security”, the Company leveraged the advantages of its basic network resources and four-level operation system to create a “cloud, network, data and service” integrated security product and operation service system. The Company launched “Mogong” security operation service platform and continuously upgraded Unicom Cloud Shield Anti-DDoS Pioneer, Large Network Situational Awareness and other advantageous products. The Company jointly created an industrial ecology and launched a security cloud market, thereby continuously meeting the diversified and scenario-based security needs of the government and large enterprises. China Unicom has provided services to more than 200 leading customers. In the provision of network security support services for major events such as the Beijing Winter Olympics, the National People’s Congress, and the 20th National Congress of the Communist Party of China, the Company achieved zero accident, zero mistake and zero complaint.

In terms of marketing strategies, the Company pursued coordinated development of quantity, quality, structure and efficiency, with an aim to realise scale-based value management, compliant development based on quality, integrated development based on structure, and effective development based on efficiency. Firstly, the Company accelerated the development of “dual gigabit” in terms of scale, application and integration. It promoted 5G digital smart living to drive mobile business’s new advancement in scale and value, and promoted 1000M smart home to drive broadband business to achieve new heights in terms of scale and value. It revamped brand operations, enhanced the scale and value of connectivity, so as to secure a leading position in customer perception. Secondly, the Company accelerated the innovation of products and modes of computing-network integration, focused on the new supply of large-scale integration products for key businesses and markets, and strengthened the operation of Unicom APP. It drove the new upgrade of 2I2C products and marketing models supported by three gigabit, deepened the transformation of “platform + cloud network + X” model, and accelerated the iteration of platform functions. It accelerated the construction of key market products, touchpoint systems, marketing organizations and responsibility systems, leading and promoting innovative transformation of marketing models in segmented markets. Thirdly, the Company accelerated total integration based on fixed-line and mobile integration as well as high-quality structural upgrade of subscribers, realising the deep integration of all factors including fixed-line and mobile, cloud network, terminal, application, finance and account. With the integration and mutual promotion of all professions and integrated development of online and offline touchpoints, the Company achieved new value through the in-depth operation of all customers.

In terms of marketing channels, the Company further constructed the OMO digital marketing service system and strived to promote the transformation to the all-factor integrated operation system for targeted market segments. Firstly, a marketing service organisation for segmented markets has been initially established: focusing on the targeted market segments, the Company restructured its marketing service organisational structure, upgrading the channel management-oriented sales model to a new model of BU-based coordination involving multiple professions, so as to keep close to customers, integrate into the scenarios and drive the “platform + cloud network + X” marketing transformation. Secondly, physical channel deployment has been optimized by the dual revitalisation of channels and terminals: the Company actively implemented the plan for dual revitalisation of channels and terminals, focused on the construction of channel and terminal integration capabilities, enhanced the retail capabilities of terminal channels, and strengthened the cooperation with terminal manufacturers and outlets, so as to enable wider access of physical channels, keep close to customers and optimise channel deployment and structure. Thirdly, the Company made outstanding achievements in online and offline integration of five capabilities: it unified production tools to enable “one-screen handling”, unified order scheduling to efficiently support front-line production, unified production delivery to significantly improve production efficiency, unified traffic aggregation to maximise the value of big data, and unified resource visualisation to realise the digital display of “3+2” grids.

In terms of network capabilities, with a focus on its five main responsibilities and main businesses, while pursuing moderate advancement, promoting use through construction and combining construction with use, the Company unswervingly increased its investment to facilitate the construction of digital information infrastructure and accelerate the building of four premium networks of 5G, broadband, government and enterprise, and computing power. The Company made great efforts to enhance its core competitiveness, sustainable development capabilities and value creation capabilities, thereby promoting network quality to a new level and further laying a solid network foundation for the Company’s high-quality development.

As at the end of 2022, the Company had 1 million mid-band 5G base stations, 170,000 newly built 900M low-band base stations, and 2,276,000 4G base stations in operation, including 1,696,000 self-built 4G base stations and sharing 580,000 of China Telecom’s 4G base stations. 5/4G coverage in administrative villages reached 96%. As for the fixed-line network, the Company continued to expand network coverage in new regions and stepped up the network upgrade in PON + LAN areas. The total number of broadband access ports reached 250 million, of which FTTH ports accounted for 93.2%. The Company continued to optimise its international network deployment. As at the end of 2022, the international submarine cable capacity, international Internet outbound capacity and inbound bandwidth reached 79.5T, 5.96T and 4.83T, respectively. The Company’s international roaming services covered 626 operators in 260 countries and regions.

FINANCIAL OVERVIEW

I. OVERVIEW

In 2022, the Company firmly progressed to the Company's "1 + 9 + 3" strategic planning, total revenue was RMB354.94 billion in 2022, up by 8.3% year-on-year. Service revenue reached RMB319.35 billion, up by 7.8% year-on-year. Net profit¹ was RMB16.74 billion, up by RMB2.37 billion year-on-year.

In 2022, the Company's net cash flow from operating activities was RMB100.54 billion. Capital expenditure was RMB74.20 billion. Liabilities-to-assets ratio was 46.5% as at 31 December 2022.

II. REVENUE

In 2022, the Company's revenue was RMB354.94 billion, up by 8.3% year-on-year, of which, service revenue was RMB319.35 billion, up by 7.8% 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 2022 and 2021:

(RMB in billions)	2022		2021	
	Total amount	As a percentage of service revenue	Total amount	As a percentage of service revenue
Service revenue	319.35	100.0%	296.15	100.0%
Include: Basic business	248.89	77.9%	241.37	81.5%
Industry Internet business	70.46	22.1%	54.78	18.5%

1. Basic Business

In 2022, service revenue from basic business was RMB248.89 billion, up by 3.1% year-on-year.

2. Industry Internet Business

In 2022, service revenue from Industry Internet business was RMB70.46 billion, up by 28.6% year-on-year.

III. COSTS AND EXPENSES

In 2022, total costs and expenses amounted to RMB342.60 billion, up by 8.0% 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 2022 and 2021:

(RMB in billions)	2022		2021	
	Total amount	As a percentage of revenue	Total amount	As a percentage of revenue
Operating costs	342.60	96.5%	317.18	96.7%
Include: Interconnection charges	10.95	3.1%	11.56	3.5%
Depreciation and amortisation	86.83	24.4%	85.65	26.1%
Network, operation and support expenses	56.42	15.9%	53.09	16.2%
Employee benefit expenses	60.72	17.1%	58.94	18.0%
Include: salaries under employment contract	40.85	11.5%	39.75	12.1%
Costs of telecommunications products sold	34.72	9.8%	30.68	9.4%
Selling and marketing expenses	34.46	9.7%	32.21	9.8%
General, administrative and other operating expenses	58.50	16.5%	45.05	13.7%

1. Interconnection charges

The interconnection charges were RMB10.95 billion in 2022, down by 5.3% year-on-year and, as a percentage of revenue, changed from 3.5% in 2021 to 3.1% in 2022.

2. Depreciation and amortisation

Depreciation and amortisation charges were RMB86.83 billion in 2022, up by 1.4% year-on-year and, as a percentage of revenue, changed from 26.1% in 2021 to 24.4% in 2022.

3. Network, operation and support expenses

The Company expanded the scale of the basic network and relevant infrastructure. Network, operation and support expenses were RMB56.42 billion in 2022, up by 6.3% year-on-year and, as a percentage of revenue were basically stable, changed from 16.2% in 2021 to 15.9% in 2022.

4. Employee benefit expenses

The Company continued to optimise the operating results assessment to strengthen performance, effectiveness and the recruitment of innovative talents, employee benefit expenses were to RMB60.72 billion in 2022, up by 3.0% year-on-year and, as a percentage of revenue, changed from 18.0% in 2021 to 17.1% in 2022.

5. Cost of telecommunications products sold

Costs of telecommunications products sold were RMB34.72 billion and revenue from sales of telecommunications products were RMB35.59 billion in 2022. Gross profits on sales of telecommunications products was RMB0.87 billion.

6. Selling and marketing expenses

With the Company fully strengthening digital empowerment and accelerating O2O integrated operation development, selling and marketing expenses were RMB34.46 billion in 2022, up by 7.0% year-on-year and, as a percentage of revenue, decreased from 9.8% in 2021 to 9.7% in 2022.

7. General, administrative and other operating expenses

General, administrative and other operating expenses were RMB58.50 billion in 2022, up by 29.9% year-on-year, mainly due to the rapid growth of the Industry Internet business leading to increased related service costs.

IV. EARNINGS

(RMB in billions)	2022	2021	Change
	Total amount	Total amount	
Operating profits	12.34	10.67	15.7%
Net interest income/(finance costs)	0.66	-0.17	N/A
Share of net profit of associates	2.15	1.86	15.6%
Share of net profit of joint ventures	1.59	1.45	10.0%
Other income-net	3.85	4.12	-6.5%
Profit before income tax	20.59	17.93	14.8%
Income tax expenses	3.75	3.42	9.6%
Profit for the year	16.74	14.37	16.5%

1. Profit before income tax

In 2022, the Company benefited from continuous enhancement in growth quality and profitability, profit before income tax was RMB20.59 billion, up by 14.8% year-on-year.

2. Income tax expenses

In 2022, the Company's income tax expenses was RMB3.75 billion and the effective tax rate was 18.2%.

3. Profit for the year

In 2022, the Company's net profit¹ was RMB16.74 billion, increased by RMB2.37 billion year-on-year. Basic earnings per share was RMB0.547, up by 16.5% year-on-year.

V. EBITDA²

In 2022, the Company's EBITDA was RMB99.17 billion, up by 3.0% year-on-year. EBITDA as a percentage of service revenue was 31.1%, down by 1.4 percentage points year-on-year.

VI. CAPITAL EXPENDITURE AND CASH FLOW

In 2022, capital expenditure of the Company totaled RMB74.20 billion, which mainly consisted of investments in mobile network, household internet and fixed-line voice, government, enterprise and innovative business etc. In 2022, the Company's net cash flow from operating activities was RMB100.54 billion. Free cash flow³ was RMB26.34 billion after the deduction of the capital expenditure.

The table below sets forth the major items of the capital expenditure in 2022:

(RMB in billions)	2022	
	<u>Total expenditure</u>	<u>As percentage</u>
Total	74.20	100.0%
Include: Mobile network	26.41	35.6%
Household internet and fixed-line voice	8.76	11.8%
Government, enterprise and innovative business	14.12	19.0%
Transmission network, infrastructure and others	24.91	33.6%

VII. BALANCE SHEET

The Company's total assets changed from RMB591.08 billion as at 31 December 2021 to RMB642.66 billion as at 31 December 2022. Total liabilities changed from RMB257.64 billion as at 31 December 2021 to RMB299.13 billion as at 31 December 2022. The liabilities-to-assets ratio changed from 43.6% as at 31 December 2021 to 46.5% as at 31 December 2022. The debt-to-capitalisation ratio increased from 9.7% as at 31 December 2021 to 14.3% as at 31 December 2022. The net debt-to-capitalisation ratio was 0.5% as at 31 December 2022.

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 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 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 2022.

The figures in respect of the Group's consolidated results for the year ended 31 December 2022 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 2022. 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 2022, 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 2022. 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.

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 2022.

REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the year ended 31 December 2022, 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 18 May 2023 (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 RMB0.109 per share (pre-tax) (the "2022 Final Dividend"), with an aggregate amount of approximately RMB3.335 billion, to the Shareholders. If approved by Shareholders at the AGM, the 2022 Final Dividend is expected to be paid in Hong Kong dollars on or about 15 June 2023 to those members registered in the Company's register of members as at 25 May 2023 (the "Final 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 2022 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:

Latest time to lodge transfer documents for registration	4:30 p.m. of 10 May 2023
Closure of register of members	From 11 May 2023 to 18 May 2023
Record date	11 May 2023

(2) For ascertaining the Shareholders' entitlement to the 2022 Final Dividend:

Latest time to lodge transfer documents for registration	4:30 p.m. of 24 May 2023
Closure of register of members	25 May 2023
Final Dividend Record date	25 May 2023

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 2022 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 2022 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 2022 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 2022 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 2022 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 2022 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 24 May 2023, 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.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The 2022 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 2022 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, 8 March 2023

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

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