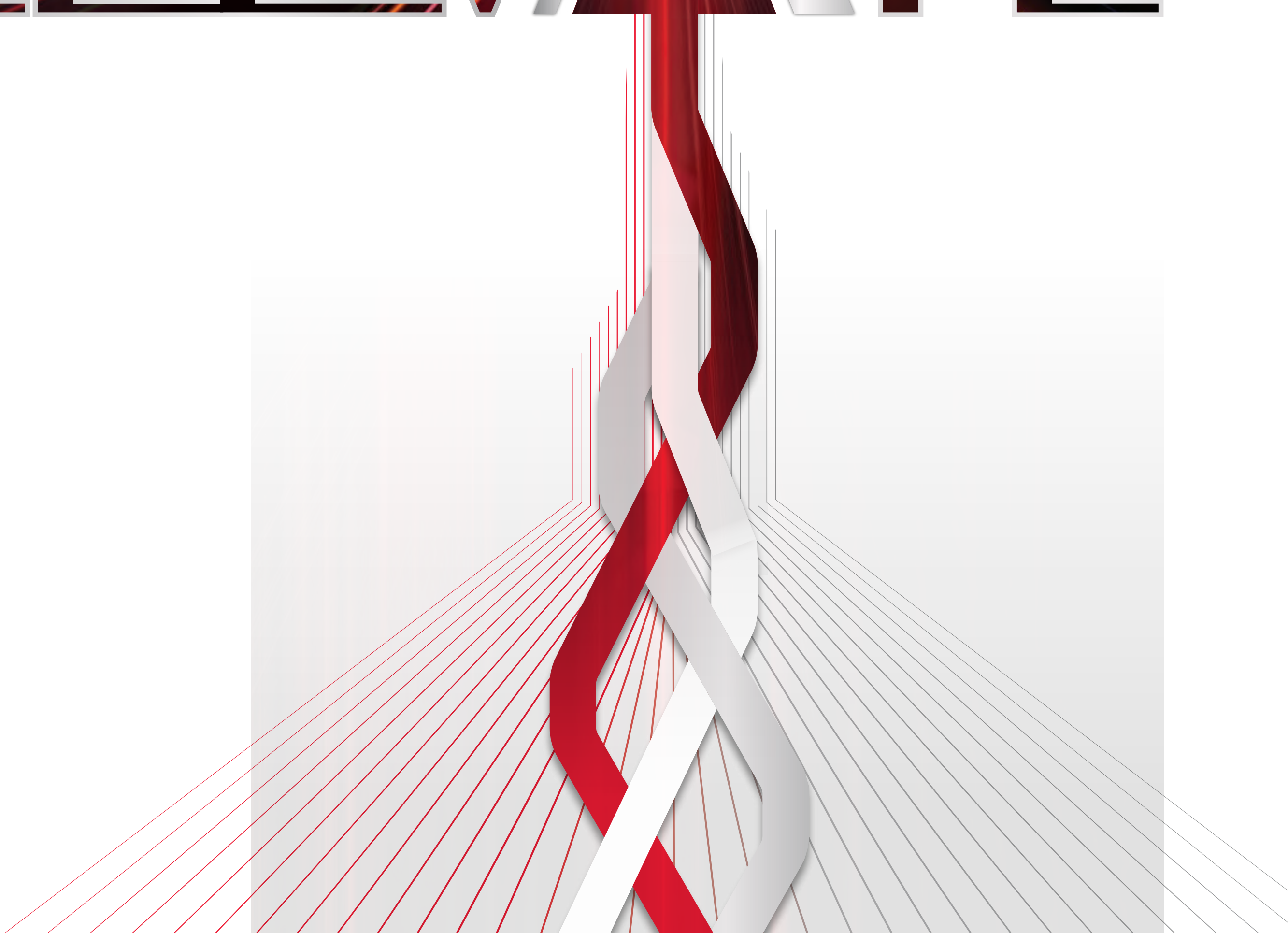
中国联通
China unicom

CHINA UNICOM (HONG KONG) LIMITED
Stock Code : 762

INNOVATE to ELEVATE

ANNUAL REPORT 2024



■ Integration of mobile and broadband businesses

Integrated subscriber penetration 77%

WE ADVOCATE INTEGRATION

We strengthened the integration of mobile/broadband, data/AI, as well as digital/real economies to enhance our differentiated competitive advantages and promote sustainable business development

■ Integration of data and AI

Developed dozens of industry-specific AI large models

■ Integration of digital and real economies

>29,000 5G industrial Internet projects

WE DRIVE INNOVATION

We deeply promoted network innovation, technology innovation and service innovation to lead the development of new quality productivity, building the second growth driver of our business

Network Innovation

Significant optimisation in investment structure

Technology Innovation

R&D investment increased by 9.1%

Service Innovation

Operating revenue steadily grew by 4.6%

WE CREATE VALUE

Operational quality continued to be enhanced, leading to new breakthroughs in high-quality development

Net profit*
increased by 10.1%

CAPEX
decreased by 17%

ROE
improved by 0.4 pp to 5.8%

*Net profit refers to the profit attributable to equity shareholders of the Company

DPS

increased by 20%

Dividend payout ratio

increased by 5pp to 60%

WE SHARE SUCCESS

We highly value shareholder return. In 2024, our dividend payout ratio increased by 5pp to 60%, and dividend per share (DPS) increased by 20%. We are committed to sharing the fruits of development with shareholders

CONTENTS

Forward-looking statements

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

COMPANY PROFILE

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

China Unicom establishes branches in 31 provinces in China (including autonomous regions and municipalities) and multiple countries and regions overseas. The Company's telecommunication network and global customer service system covers China and connects to the world. The Company has been one of the "Fortune Global 500" companies for consecutive years, and ranked 279th in "Fortune Global 500" for the year 2024. It was also voted as "Asia's Most Honored Telecom Company" in 2024 for the ninth consecutive year by Institutional Investor.

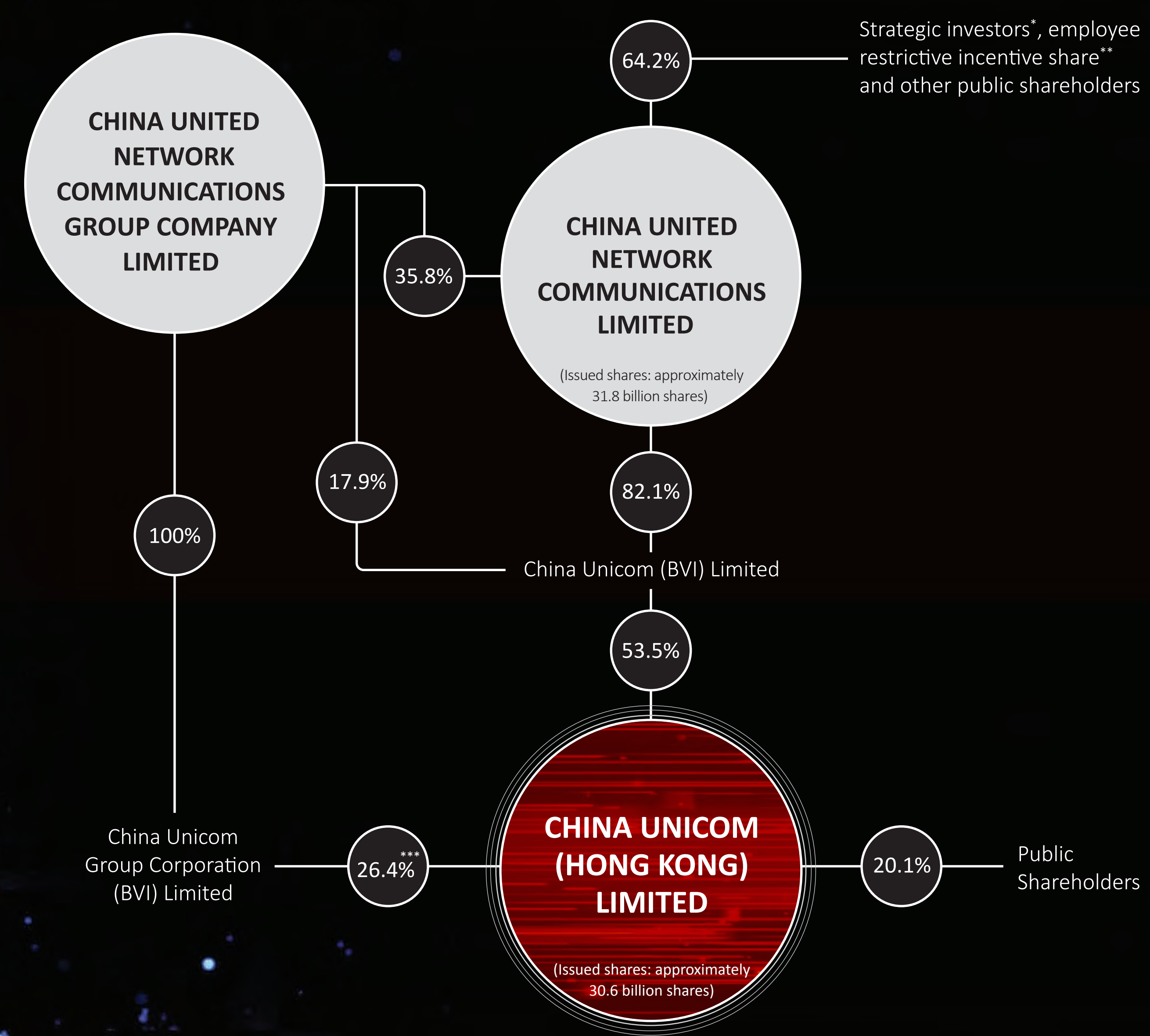
China Unicom is committed to the development of the network and information industry and fulfilling the mission of a central state-owned enterprise. It aims to enhance its core functions and competitive edge comprehensively to better serve the construction of Cyber Superpower and Digital China. It safeguards national network and information security, acts as the leading contributor of digital information operation and services and the pioneer of digital technology integration and innovation. It fully leverages its role in technological innovation, industrial control, and security support.

To become a world-class technology service enterprise with global competitiveness, the Company steadily promotes the two main businesses of Connectivity and Communications ("CC") and Computing and Digital Smart Applications ("CDSA"). It holistically builds comprehensive digital information infrastructure with industry-leading coverage, breadth and depth, so as to build an unobstructed information channel and a new digital base for economic and social development. Using technologically leading and highly integrated digital services which are "comprehensive in coverage, fully online and cloudified, green and one-stop", it helps thousands of industries "migrate to the cloud, and use data for intelligent empowerment". It promotes the development of the digital economy and information consumption upgrade, enhances customers' satisfaction and sense of reward in information and communication services, and lets the whole society further enjoy the new benefits brought by information and communication development.

Note:

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

SHAREHOLDING STRUCTURE



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

** Pursuant to the phase 2 restrictive share incentive scheme in 2022, China United Network Communications Limited granted restricted shares to the core management talents and professional talents.

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

As at 31 December 2024

PERFORMANCE HIGHLIGHTS

FINANCIAL HIGHLIGHT (RMB billions)

	2024	2023	Change YoY
Operating Revenue	389.59	372.60	4.6%
Service Revenue	345.98	335.17	3.2%
Of which: Connectivity and Communications business revenue[1,2]	261.33	257.45	1.5%
Computing and Digital Smart Applications business revenue[3]	82.49	75.25	9.6%
Net Profit[4]	20.61	18.73	10.1%
Basic EPS (RMB)	0.674	0.612	10.1%
Dividend per share[5] (RMB)	0.4043	0.3366	20.1%

Note 1: Connectivity and Communications business includes six major categories: mobile connectivity, broadband connectivity, TV connectivity, leased line connectivity, communications service, and information service.

Note 2: From 2024 onwards, interconnection revenue is classified as Connectivity and Communications business revenue based on its business attributes during revenue analysis, and relevant data in 2023 are presented on the same basis.

Note 3: Computing and Digital Smart Applications business includes six major categories: Unicom Cloud, IDC, system integration, data services, intelligence services and cybersecurity.

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

Note 5: The proposed 2024 final dividend of RMB0.1562 per share is subject to approval by the shareholders at the annual general meeting. Together with the interim dividend of RMB0.2481 per share already paid, total dividend for the year is RMB0.4043 per share.

UNICOM CLOUD[1] REVENUE (RMB BIL)

2024

68.6

▲17.1%

DATA CENTRE REVENUE

(RMB BIL)

2024

25.9

▲7.4%

INTELLIGENCE SERVICES REVENUE

(RMB BIL)

2024

7.1

▲26.5%

DATA SERVICES REVENUE

(RMB BIL)

2024

6.4

▲20.8%

1. To reflect the business opportunities brought by the development of artificial intelligence in terms of general computing and intelligent computing, the scope of Unicom Cloud revenue has been optimised to include revenue from cloud IDC, cloud resources, cloud platform, cloud service, cloud integration, cloud interconnection, cloud security, etc. generated from integrated innovative solutions

MAJOR EVENTS

January 2024

China Unicom established the Artificial Intelligence Innovation Center to accelerate its deployment in the emerging AI industry, contributing significantly to the Company's technological innovation and high-quality development.

February 2024

China Unicom launched "Yanfei", the world's first 5G RedCap product matrix, and released ten achievements of 5G-A innovative demonstration, the "1+1+M" UniAI large model system and a series of AI innovation achievements, etc.

May 2024

China Unicom successfully completed the world's first verification of massive data wide-area high-throughput lossless transmission over a distance exceeding 3,000 kilometers, laying a technological foundation for intelligent computing and connectivity in the "Eastern Data and Western Computing" scenario.

June 2024

China Unicom established its Saudi Arabia subsidiary, becoming the first Chinese telecom operator to obtain the Commercial Registration Certificate in Saudi Arabia. It is also China Unicom's first branch in the Middle East.

July 2024

The China Unicom Partners Conference was successfully held, where the UniAI large model 2.0, the Computing Power AI Network (AINet), and other significant achievements were announced, along with the unveiling of China Unicom's mascot, Tone.

China Unicom received approval from the Ministry of Industry and Information Technology for two international communication business exchange stations in Qingdao and Haikou, marking a new milestone in its construction of international communication infrastructure.

September 2024

China Unicom launched the "Carbon Exploration Green Action Plan," implementing a new "3+5+1+1" green action scheme aimed at becoming a trusted green ecosystem navigator for customers.

China Unicom Data Intelligence Co., Ltd. was established to focus on developing professional and specialised products and services in the fields of AI and big data, aiming to turn China Unicom into a "leading brand for digital-intelligence service innovation".

December 2024

China Unicom (HONG KONG) Innovation Research Institute Limited was officially established, and China Unicom's international brand was fully rebranded as UniCom.

China Unicom successfully completed the technical verification of "AI Large Model 300 Kilometer Distributed Collaborative Training," fully validating the commercial feasibility of DC collaborative training technology, providing a new solution for AI large model training.

CHAIRMAN'S STATEMENT

Dear Shareholders,

In 2024, China Unicom focused on the two main businesses, namely Connectivity and Communications (CC) and Computing and Digital Smart Applications (CDSA), with the aim of advancing network innovation, technology innovation and service innovation, and achieving new breakthroughs in high-quality development.

CHEN ZHONGYUE
Chairman and
Chief Executive Officer

OVERALL RESULTS

In 2024, the Company's operating revenue grew steadily, reaching RMB389.6 billion, up by 4.6% year-on-year, leading the industry in growth rate. CC business revenue[1,2] accounted for 76% of service revenue, and grew by 1.5% year-on-year. CDSA business revenue[3] accounted for 24% of service revenue, and grew by 9.6% year-on-year. Profitability continued to improve, with profit attributable to equity shareholders of the Company reaching RMB20.6 billion, up by 10.1% year-on-year, and return on equity (ROE)[4] rising to 5.8%.

The Company highly values shareholder return and is committed to sharing the fruits of development with shareholders. In view of the good performance over the past year, the Board of Directors proposed a final dividend[5] of RMB0.1562 per share (pre tax). Together with the interim dividend of RMB0.2481 per share (pre tax) already paid, the full-year dividend reached RMB0.4043 per share (pre tax), representing a year-on-year increase of 20.1%. In 2024, the dividend payout ratio reached 60%, up by 5 percentage points year-on-year.

CC business provided steady support. Subscriber scale reached another record high. The total number of mobile and broadband subscribers reached 470 million, with a net addition of 19.52 million. The number of Internet of Things (IoT) connections exceeded 620 million, with a net addition of 130 million. The number of Internet of Vehicles (IoV) connections reached 76 million, maintaining the leading position in industry. Gewu Industrial Internet platform managed over 12 million devices, accounting for 1/8 of the total number of devices nationwide.

CDSA business grew with quality enhancement. Unicom Cloud revenue[6] was RMB68.6 billion, up by 17.1% year-on-year, and IDC revenue was RMB25.9 billion, up by 7.4% year-on-year. Intelligent computing business drove strong growth in computing power services, with newly signed contract value exceeding RMB26 billion last year.

CHAIRMAN'S STATEMENT

NETWORK INNOVATION

The Company built new infrastructure that is fast, ubiquitous, integrated with computing-networks, green and low-carbon. It enhanced network intelligence to solidify the foundation for high-quality development. The Company adhered to a precise and moderate investment strategy, comprehensively deepened co-build co-share, and promoted intelligent operations across the entire network, striving to build an ultra-lean network, thereby achieving coordinated development of connectivity and computing networks as well as synergetic domestic and international deployment.

In 2024, the Company's capital expenditure was RMB61.37 billion, down by 17% year-on-year. Within that, computing power investment increased by 19% year-on-year, with better network quality and higher efficiency. Mobile network population coverage rate reached 99%, up by nearly 1 percentage point, benefiting millions of customers. The number of broadband network ports increased by 5% year-on-year, benefiting tens of millions of households. Equipment consolidation and AI empowerment have shown significant results, saving RMB1.9 billion in operating expenses (OPEX) annually, with energy consumption per unit of business decreasing by 10%.

The Company promoted the capability upgrade of its mobile and broadband networks, achieving wider coverage and better experience. The number of mobile network base stations exceeded 4.5 million, with deeper network coverage in key scenarios such as high-speed rail, subways, popular tourist attractions, and densely populated residential areas. It accelerated the large-scale commercialisation of 5G-A by deploying carrier aggregation in 300 cities to achieve 10-gigabit downlink and gigabit uplink ultra-high speed. RedCap upgrade was carried out in 150 cities, enabling full-spectrum and universal-mode applications. The number of broadband network ports reached 280 million, with 10G PON ports accounting for more than 80%, supporting the rapid growth of gigabit broadband subscribers. It accelerated the construction of 10-gigabit optical networks to assist Beijing, Tianjian, Shanghai, Guangzhou, Shenzhen, etc. in becoming the first double 10-gigabit cities.

The Company enriched computing power and computing-network innovative supply, with larger scale and stronger capabilities. It accelerated the upgrade from IDC to AIDC and from general computing to intelligent computing. It constructed large-scale intelligent computing centres in Shanghai, Guangdong, Hong Kong, Inner Mongolia, Ningxia, Guizhou, etc. It established over 300 integrated training and inference computing resource pools, with intelligent computing capacity exceeding 17 EFLOPS, better meeting the demand for AI training and inference. It has built a computing power intelligent network (AINet), fully covering eight national computing hubs and 22 provincial backbone nodes. It upgraded Unicom Cloud "Xingluo" computing power allocation platform to enhance the intelligent allocation across the entire network.

The Company built a robust and widespread international network with computing-network integration, stronger presence and richer resources. It enhanced the backbone capacity in Asia-Pacific, Asia-America and Asia-Africa-Europe directions, established new international exchanges in Qingdao and Haikou, constructed over 60 submarine and terrestrial cables and over 400 points of presence (POP), covering over 200 countries and regions. Leveraging the role of the Hong Kong Tseung Kwan O Data Centre as a hub, the Company aggregated its own computing power in Tokyo, Singapore, and Frankfurt, etc. to connect with the resource pools of over 50 leading global cloud service providers, providing high-quality computing network services to global customers.

TECHNOLOGY INNOVATION

The Company deepened the integration and innovation of communication technology (CT), information technology (IT), data technology (DT), artificial intelligence technology (AT), and operational technology (OT) to enhance the Company's intrinsic vibrancy and core strength.

The Company continued to increase investment in innovation, with R&D expenses up by 9.1% year-on-year. It recruited and cultivated more top-notch technological talents, with the proportion of technological innovation talents reaching 42%, and the proportion of R&D personnel nearly 10%. **It continuously improved its innovation system,** establishing innovation entities in Beijing-Tianjin-Hebei, the Yangtze River Delta, and the Guangdong-Hong Kong-Macau Greater Bay Area, etc. In particular, it consolidated professional institutions in Big Data and artificial intelligence to establish China Unicom Data Intelligence Co., Ltd. and Data Science and Artificial Intelligence Research Institute, to create a highland of digital intelligence technology and industry. Since last year, we have made a series of landmark achievements, such as winning the First Prize for National Science and Technology Progress and the GSMA Global Mobile Awards.

The Company made advance deployment for the next-generation Internet. Leveraging the role of the National Engineering Research Centre as an innovation driver, the Company advanced the innovation in "Internet 2030" basic protocols and system architecture, and conducted validation on performance attributes such as network-wide interconnection, deterministic carriage, AI-native features, and computing-network integration. It conducted research on key technologies such as wide-area lossless transmission and inter-network computing power allocation It achieved for the first time lossless data transmission over more than 3,000 km as well as storage-computation separation of data set across 200 km, enhancing the throughput, performance, and intelligence of AINet. The Company built and operated Sanjiangyuan Park which demonstrates integration of green power with intelligent computing, a 10,000-accelerator Green Computing Centre in Qinghai, achieving computing-network and computing-electricity integration, with the average cluster utilisation rate expected to exceed 60%.

CHAIRMAN'S STATEMENT

The Company accelerated the R&D and application of next-generation mobile communications. It conducted research on key 5G-A technologies such as millimetre wave (mmWave), multi-frequency sensing, and reconfigurable intelligent surfaces (RIS), applying them to key scenarios in the IoT, IoV and industrial Internet. This supports efficient inference through edge-cloud collaboration, real-time computation through vehicle-cloud collaboration, and rapid switching of flexible production lines. It conducted research on key technologies such as ultra-low latency, high-precision positioning, and dense sensing in low-altitude intelligent networks and satellite internet. It established national-class test zones in Anyang, Nanjing, etc., to promote integrated innovation across air, space, land and sea. The Company engaged in 6G standard development, technology R&D and validation to prepare for 6G industry development.

The Company promoted the integrated innovation of data and AI in a unified manner. By deeply cultivating Big Data business, the Company built high-quality data sets that aggregate internal and external, multi-industry data, and made breakthroughs in key technologies such as dynamic generation of vector data and distributed collaborative computing. It established a technologically advanced, high-performance, and cross-domain integrated data platform, and upgraded Trusted Data Space, consolidating its leading data governance and data security capabilities. **The Company developed the UniAI large model** with breakthroughs in key technologies such as adaptive slow thinking and asymmetric mixture of experts (MoE) architecture, ranking among the top in international benchmarks of language, multi-modal, speech and visual models. In particular, in industrial Internet, the Gewu platform has integrated with the UniAI large model to generate precise mappings of over 1,000 industrial equipment object models, comprehensively enhancing the convenience of application development. It has created a software gateway that automatically parses over 100 industrial protocols, significantly improving the efficiency of equipment connectivity.

SERVICE INNOVATION

The Company fully embraced artificial intelligence and launched a series of new AI products and services, in order to tap into this vast market and enhance its value creation capability.

Innovative upgrade in digital smart services. The Company provided public customers with smart living services in different scenarios. It launched AI agents such as 5G New Calling, "Smart Home Tone" robot and smart customer service. The Company iteratively upgraded its Smart Home platform, leading to scale development of products such as Unicom Cloud Handset, Unicom Cloud Drive, Unicom Housekeeper, and Unicom UHD. There were over 180 million Unicom Cloud Drive subscribers, and over 50 million Unicom UHD subscribers. Adhering to business integration and market convergence, the Company's subscriber structure continued to be optimised. The penetration of integrated subscribers exceeded 77%. Subscriber value continued to rise and the ARPU of integrated package subscribers exceeded RMB100.

Unicom Cloud Intelligent Upgrade. The Company achieved integrated operation of intelligent computing and general computing, integrating key capabilities such as AI model training and inference, native storage, lossless network, and cluster coordination, providing services such as intelligent computing, data, and models, flexibly meeting the one-stop service needs of artificial intelligence. China Unicom, as the official partner of telecom and cloud services for Harbin Asian Winter Games, achieved integrated innovation of 5G-A network and high-definition cloud broadcasting, supporting the cloudified and hi-tech Asian Winter Games. In particular during the Two Sessions this year, China Unicom's UniAI MaaS platform integrated reasoning capability and security technology to develop 5G rich media and AI agents, demonstrating the great potential of the integrated innovation of digital technology and media communication.

Digital smart applications made a breakthrough in scale. The Company **focused on the industrial Internet,** and leveraged on the edges of 5G private networks and the Gewu platform to integrate industrial Big Data and large industrial models to effectively empower production scenarios such as design simulation, control optimisation, and predictive maintenance. It has cumulatively implemented over 29,000 industrial Internet projects and established over 7,100 5G factories, achieving leadership in service capability and market position. **Focusing on digital government service**, the Company enhanced its integrated capabilities in government networks, cloud, Big Data, and intelligent applications, empowering the intelligent upgrade of service hotlines and intelligent urban governance, enhancing digital government service capability. Intelligence services revenue reached RMB7.1 billion, up by 26.5% year-on-year. Data services revenue reached RMB6.4 billion, up by 20.8% year-on-year.

The Company fully rebranded its international business. In 2024, its international business growth accelerated, with revenue reaching RMB12.5 billion, up by 15.2% year-on-year. It established branches in Saudi Arabia, Peru, the United Arab Emirates (UAE), Uzbekistan, etc. to better serve the global roaming and digital needs of customers. In particular, the Company leveraged its globally integrated IoV operational advantages to serve the overseas expansion of leading Chinese automotive enterprises and to facilitate the development of the intelligent connected new energy vehicle industry. In December last year, the Company launched its international brand UniCom, further accelerating the pace of international development and enhancing globalised operations.

CHAIRMAN'S STATEMENT

SOCIAL RESPONSIBILITY AND CORPORATE GOVERNANCE

The Company actively fulfils its corporate ESG responsibilities.

In terms of green practices, the Company released a Green Action Plan, in an effort to deepen network energy conservation, explore computing-electricity synergy and adopt clean energy. 22 data centres were rated as the national green data centres.

In terms of livelihood support, the Company upgraded the "Unicom Digital Village" platform, serving 260,000 administrative villages and 280 million villagers, and assisting in the comprehensive rural revitalisation. It deeply advanced universal telecommunication services to help bridge the digital divide. Smart elderly assistance centres have been set up in 8,000 business outlets.

In terms of corporate governance enhancement, the Company built a strong enterprise with digital intelligence, and advanced the intelligent upgrade of corporate management, operations, and services. It actively assumed its responsibilities as a listed company by establishing a market value management system and conducting over 160 investor events, leading to a more open, transparent, and credible image as a listed company. The Company was awarded multiple accolades, including ranking 279th in the 2024 Fortune Global 500, ranking 299th in the Forbes Global 2000, being named "Asia's Most Honoured Telecom Company" by Institutional Investor for nine consecutive years, and winning the Gold Award for "Best Managed Company in China" in the "Asia's Best Managed Companies Poll 2024" organised by FinanceAsia.

OUTLOOK

In the past year, the Company embraced intelligence and moved forward with innovation. It made every effort to strengthen its capabilities, optimise structure, improve quality, and enhance efficiency, achieving a new level in business development. In 2025, revenue, profit, and ROE are expected to achieve sound growth. Capital expenditure is expected to be around RMB55.0 billion. Within that, computing power investment is expected to increase 28% year-on-year. In addition, we have allocated special budget for key infrastructure and major projects in artificial intelligence. The Company will deeply implement the integrated innovation strategy, continuously advance the "Three Innovations", striving to achieve more robust innovation momentum, stronger capability advantages, more optimised business structure, better operational efficiency, and an outstanding brand image.

Finally, I would like to express my sincere gratitude on behalf of the Board of Directors to all shareholders, customers, and the community for their long-term care and support for the Company, as well as to all employees for their continuous efforts and contributions!

Chen Zhongyue
Chairman and Chief Executive Officer

Hong Kong, 18 March 2025

Note 1: CC business includes six major categories: mobile connectivity, broadband connectivity, TV connectivity, leased line connectivity, communications service, and information service.

Note 2: From 2024 onwards, interconnection revenue is classified as CC business revenue based on its business attributes during revenue analysis, and relevant data in 2023 are presented on the same basis.

Note 3: CDSA business includes six major categories: Unicom Cloud, IDC, system integration, data services, intelligence services and cybersecurity.

Note 4: Return on equity = Profit attributable to equity shareholders of the Company during the period/Average balance of equity attributable to equity shareholders of the Company at the beginning and end of the period.

Note 5: The proposed 2024 final dividend is subject to approval at the annual general meeting of the Company.

Note 6: To reflect the business opportunities brought by the development of artificial intelligence in terms of general computing and intelligent computing, the scope of Unicom Cloud revenue has been optimised to include revenue from cloud IDC, cloud resources, cloud platform, cloud service, cloud integration, cloud interconnection, cloud security, etc. generated from integrated innovative solutions.

BUSINESS OVERVIEW

In 2024, China Unicom actively served the national strategy, accelerated the progress of crucial tasks such as innovation-driven development, open integration, enterprise reform, and system establishment. The Company has accelerated breakthroughs in key bottlenecks such as technological research and foundational management. The Company adhered to the guiding principle of seeking progress while maintaining stability, with overall business and operations showing a positive trend, improved structure, enhanced quality, and strengthened momentum for high-quality development.

The supporting effect of Connectivity and Communications (CC) business has become more prominent. Firstly, the Company made every effort to stabilise operations and promote development, achieving positive progress in coordinating effective quality enhancement and reasonable quantity growth. **Secondly, the Company adhered to new integration as the key tactic to promote scale development and value enhancement.** Its mobile connectivity and broadband connectivity experienced steady growth, with FTTR, where the Company maintained an industry-leading market share, becoming the primary driver of revenue growth. Its mobile billing subscriber scale exceeded 340 million, with a cumulative net addition of 10.68 million. Its fixed-line broadband subscriber scale exceeded 120 million, with a cumulative net addition of 8.84 million. Both mobile and broadband subscriber scales reached historical highs. **Thirdly, the Company made innovative breakthroughs in TV connectivity and information services.** The subscriber base for key products such as Unicom UHD, Unicom Cloud Drive, and Unicom Housekeeper continuously increased and led to significant revenue growth. To facilitate the upgrade of digital consumption and achieve product integration with cloud, AI, security, and communication, the Company launched new products such as Unicom Cloud Phone, Unicom Cloud Computer, Unicom Security Manager, and Unicom Family V-Net. **Fourthly, the scale of Internet of Things (IoT) connections increased rapidly,** with more than 620 million IoT connections and the scale of 5G IoT business led the industry. The scale of Internet of Vehicles (IoV) connections exceeded 76 million, ranking first in the industry.

BUSINESS OVERVIEW

The development capabilities of Computing and Digital Smart Applications (CDSA) business have been continuously strengthened. Firstly, Unicom Cloud's market share in key areas such as government clouds, medical clouds, and SOEs' cloudification continued to expand, creating over a thousand self-developed cloud benchmark projects. Unicom Cloud's cloud resource pool experienced rapid growth with doubled sale scale. Key products such as Video Cloud and Cloud Desktop tripled in sales year-on-year. **Secondly, the Company seized the development opportunities of artificial intelligence and the national "Eastern Data and Western Computing" strategy**, deeply cultivating industry markets in the data centre business and driving the increase in business share of data centre. **Thirdly, the Company's data service revenue maintained rapid growth,** the big data market share among operators and leading for 6 consecutive years. China Unicom was the first in the industry to launch the Union Data Network and Trusted Data Resource Space products, actively positioning itself for data factor reform. **Fourthly, the Company achieved remarkable results in the scale development of digital smart applications,** implementing over 40,000 5G industry application projects, serving over 16,000 5G private network customers, and cumulatively building over 7,100 5G factories. The Company continuously enriched its supply of professional, specialised, digital and intelligent application products, with over 50 self-developed application products which generated revenue in excess of RMB100 million. It upgraded its 5G industry private network product system to version 4.0, and created over 10 5G RedCap industry terminals. The Gewu Unilink industrial internet platform became one of the first national-level Class A "dual-cross" platforms. **Fifthly, in terms of cybersecurity, the Company upgraded the "component + platform + service" new security operation service model based on the "Mogong" platform with Unicom's distinctiveness.** Focusing on key areas such as urban security operations and SOEs, it successfully implemented over a hundred benchmark projects. The "Mogong" product was selected in the first list of projects for the Application Expansion Project of Central State-Owned Enterprises by the State-owned Assets Supervision and Administration Commission of the State Council, being the only product selected in the security field nationwide. **Sixthly, the Company accelerated its development in the field of artificial intelligence,** with its general large models ranking among the top five in 17 international mainstream benchmarks. Its Retrieval Augmented Generation (RAG) and AI agents received the highest ratings from the China Academy of Information and Communications Technology (CAICT). It has built 37 industry large models and created over a hundred application cases. Among them, the industry models in four sectors, namely government service hotlines, public security, economic operation, and cultural heritage and innovation have achieved large-scale replication.

The Company's high-quality network capability continuously enhanced. The Company continuously promoted the construction of mobile premium networks, broadband premium networks, and government & enterprise premium networks, establishing a solid capability foundation for CDSA. The Company focused on enhancing its core competitiveness, sustainable development capacity, and value creation ability, driving network quality to a new level and further solidifying the network foundation for China Unicom's high-quality development. **Firstly, the Company implemented the "signal upgrade" strategy by comprehensively promoting low-band sharing.** The Company had 1.375 million 5G mid-band shared base stations and 700,000 900MHz low-band base stations. The mobile network coverage rate in administrative villages achieved 99%. **Secondly, the Company continued to enhance gigabit optical network coverage,** with the number of broadband ports exceeding 280 million. It largely completed the deployment of 10G PON in developed towns and above regions, with the proportion of 10G PON ports increasing by 8.3 percentage points to 81.7%, leading the industry. **Thirdly, the Company actively constructed multi-level computing power supply.** Its IDCs fully covered the "Eastern Data and Western Computing" hub nodes, with significantly enhanced AI compatibility in core regions. The total number of cabinets exceeded 420,000, with AI-compatible power reserve increasing rapidly to 270 MW. Intelligent computing capacity exceeding 17 EFLOPS, and the cloud pools covered more than 270 cities. **Fourthly, the Company continued to improve its international network deployment,** with international submarine cable capacity exceeding 100T, international Internet outbound capacity at 5.72T, and inbound bandwidth at 6T. International roaming covered 663 operators in 264 countries and regions.

FINANCIAL OVERVIEW

OVERVIEW

In 2024, the Company adhered to the general principal of making progress while maintaining stability, its production and operation overall demonstrated a favorable and high-quality development trend coupled with optimised structure, improved quality and enhanced momentum. Total revenue was RMB389.59 billion in 2024, up by 4.6% year-on-year. Service revenue reached RMB345.98 billion, up by 3.2% year-on-year. The profit attributable to equity shareholders of the Company was RMB20.61 billion, up by 10.1% year-on-year.

In 2024, the Company's net cash flow from operating activities was RMB89.40 billion. Capital expenditure was RMB61.37 billion. Liabilities-to-assets ratio was 45.8% as at 31 December 2024.

SERVICE REVENUE
(RMB BIL)

345.98

REVENUE

In 2024, the Company's revenue was RMB389.59 billion, up by 4.6% year-on-year, of which, service revenue was RMB345.98 billion, up by 3.2% year-on-year due to continuous optimisation of the revenue mix.

The table below sets forth the Company's service revenue of the two main types of business for the years of 2024 and 2023:

	2024		2023	
(RMB in billions)	Total amount	Mix proportion	Total amount	Mix proportion
Connectivity and Communications business revenue	261.33	76.0%	257.45	77.4%
Computing and Digital Smart Applications business revenue	82.49	24.0%	75.25	22.6%

Connectivity and Communications business revenue[1]

In 2024, revenue from Connectivity and Communications business was RMB261.33 billion, up by 1.5% year-on-year.

Computing and Digital Smart Applications business revenue[1]

In 2024, revenue from Computing and Digital Smart Applications business was RMB82.49 billion, up by 9.6% year-on-year.

CONNECTIVITY AND COMMUNICATIONS BUSINESS REVENUE
(RMB BIL)

261.33

COMPUTING AND DIGITAL SMART APPLICATIONS BUSINESS REVENUE
(RMB BIL)

82.49

FINANCIAL OVERVIEW

OPERATING COSTS

In 2024, total operating costs of the Company amounted to RMB373.56 billion, up by 4.5% year-on-year.

The table below sets forth the items of the Company's operating costs and the changes in their respective percentage of the revenue for the years of 2024 and 2023:

(RMB in billions)	2024 Total amount	2024 As a percentage of revenue	2023 Total amount	2023 As a percentage of revenue
Operating costs	**373.56**	**95.9%**	357.63	96.0%
Include: Interconnection charges	**11.22**	**2.9%**	11.29	3.0%
Depreciation and amortisation	**83.39**	**21.4%**	84.85	22.8%
Network, operation and support expenses	**64.32**	**16.5%**	60.03	16.1%
Employee benefit expenses	**64.93**	**16.7%**	62.94	16.9%
Costs of telecommunications products sold	**42.47**	**10.9%**	36.40	9.8%
Selling and marketing expenses	**36.98**	**9.5%**	35.83	9.6%
General and administrative expenses	**5.12**	**1.3%**	5.53	1.5%
Other operating expenses	**65.13**	**16.7%**	60.76	16.3%

Interconnection charges

The interconnection charges were RMB11.22 billion in 2024, down by 0.6% year-on-year and, as a percentage of revenue, decreased from 3.0% in 2023 to 2.9% in 2024.

Depreciation and amortisation

Mainly benefiting from precise investment, network “co-build co-share” and optimisation work in recent years, depreciation and amortisation charges were RMB83.39 billion in 2024, down by 1.7% year-on-year and, as a percentage of revenue, decreased from 22.8% in 2023 to 21.4% in 2024.

Network, operation and support expenses

In 2024, the Company has firmly fulfilling its mission and responsibility in building a cyber-superpower and digital China. By strengthening network-industry collaboration, it drove the aggregation of network resources towards foundational key sectors and strategically positioned regions. Due to the expanding scale of network, the network, operation and support expenses were RMB64.32 billion in 2024, up by 7.2% year-on-year and, as a percentage of revenue, increased from 16.1% in 2023 to 16.5% in 2024.

Employee benefit expenses

In 2024, The Company deeply implemented of talent-based corporate development and continuously optimised the human resources efficiency. Employee benefit expenses were RMB64.93 billion in 2024, up by 3.2% year-on-year and, as a percentage of revenue, decreased from 16.9% in 2023 to 16.7% in 2024.

Costs of telecommunications products sold

Costs of telecommunications products sold were RMB42.47 billion and revenue from sales of telecommunications products were RMB43.61 billion in 2024. Gross profits on sales of telecommunications products was RMB1.14 billion.

Selling and marketing expenses

The Company deepened its efforts to enhance quality and efficiency improvements, with selling and marketing expenses growth remaining commensurate with revenue growth. Selling and marketing expenses were RMB36.98 billion in 2024, up by 3.2% year-on-year and, as a percentage of revenue, decreased from 9.6% in 2023 to 9.5% in 2024.

General and administrative expenses[2]

In 2024, the Company deepened its efforts to enhance quality and efficiency and continue to improve the resource allocation efficiency. General and administrative expenses were RMB5.12 billion in 2024, down by 7.4% year-on-year and, as a percentage of revenue, decreased from 1.5% in 2023 to 1.3% in 2024.

Other operating expenses

Other operating expenses were RMB65.13 billion in 2024, up by 7.2% year-on-year and, as a percentage of revenue, increased from 16.3% in 2023 to 16.7% in 2024, primarily due to the Company’s continued efforts in promoting the development of its Computing and Digital Smart Applications business, which attributable to an increase in project costs associated with the Computing and Digital Smart Applications business.

FINANCIAL OVERVIEW

EARNINGS

(RMB in billions)	2024 Total amount	2023 Total amount	Change
Operating profits	**16.03**	14.97	7.1%
Net interest income	**0.20**	0.12	58.6%
Share of net profit of associates	**2.59**	2.52	2.9%
Share of net profit of joint ventures	**1.48**	1.80	-17.9%
Other income-net	**4.95**	3.53	40.1%
Profit before income tax	**25.25**	22.95	10.1%
Income tax expenses	**4.52**	4.02	12.4%
Profit attributable to equity shareholders of the Company	**20.61**	18.73	10.1%

Profit before income tax

In 2024, the Company solidly promoted high-quality development and achieved a stable growth in its business performance, resulting in a profit before income tax of RMB25.25 billion, up by 10.1% year-on-year.

Income tax expenses

In 2024, the Company's income tax expenses was RMB4.52 billion and the effective tax rate was 17.9%.

The profit attributable to equity shareholders of the Company

In 2024, the profit attributable to equity shareholders of the Company was RMB20.61 billion, up by 10.1% year-on-year. Basic earnings per share was RMB0.674, up by 10.1% year-on-year.

EBITDA[3]

In 2024, the Company's EBITDA was RMB99.42 billion, and the EBITDA as a percentage of service revenue was 28.7%.

CAPITAL EXPENDITURE AND CASH FLOW

In 2024, as the Company focused on strengthening network-industry collaboration and precision investment, capital expenditure of the Company totaled RMB61.37 billion. The Company's net cash flow from operating activities in 2024 was RMB89.40 billion. Free cash flow[4] was RMB28.03 billion after deducting the capital expenditure for the year.

BALANCE SHEET

The Company's total assets increased from RMB661.05 billion as at 31 December 2023 to RMB671.24 billion as at 31 December 2024. Total liabilities changed from RMB307.15 billion as at 31 December 2023 to RMB307.67 billion as at 31 December 2024. The liabilities-to-assets ratio was 45.8% as at 31 December 2024, down by 0.7 percentage point compared to last year. The Company's interest-bearing borrowings were RMB3.57 billion. The debt-to-capitalisation ratio decreased from 11.6% as at 31 December 2023 to 10.2% as at 31 December 2024. The net debt-to-capitalisation ratio was 3.1% as at 31 December 2024.

Note 1: Connectivity and Communications business revenue is the sum of relevant amounts in various types of service revenue, including revenue from voice usage and monthly fees RMB20.40 billion, revenue from broadband and mobile data services RMB154.19 billion, revenue from data and internet application services RMB16.87 billion, revenue from other value-added services RMB30.19 billion, revenue from interconnection fees RMB12.60 billion, revenue from transmission lines usage and associated services RMB24.26 billion and revenue from other services RMB2.82 billion. Computing and Digital Smart Applications business revenue consists of service revenue related to data and internet application services RMB82.49 billion. In addition to the above two business revenue, other business service revenue was RMB2.16 billion.

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

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

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

RECOGNITION AND AWARDS

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

DIRECTORS AND SENIOR MANAGEMENT

CHEN ZHONGYUE

Chairman and Chief Executive Officer

Aged 53, a university graduate with a master's degree in Economics, was appointed in December 2023 as the Chairman and Chief Executive Officer of the Company. Mr. Chen was appointed in February 2021 as an Executive Director of the Company. Mr. Chen served as Deputy General Manager of China Telecom Zhejiang branch, Managing Director of the Public Customers Department of China Telecom, General Manager of China Telecom Shanxi branch, Vice President of China Telecommunications Corporation, Executive Director and Executive Vice President of China Telecom Corporation Limited, General Manager of China United Network Communications Group Company Limited ("Unicom Group"), the President of China United Network Communications Limited ("A Share Company"), the President of China United Network Communications Corporation Limited ("CUCL"), the President of the Company. Mr. Chen is currently the Chairman of Unicom Group, A Share Company and CUCL. Mr. Chen has extensive experience in management and the telecommunications industry.

DIRECTORS AND SENIOR MANAGEMENT

JIAN QIN
Executive Director and President

Aged 59, a postgraduate with a doctorate degree in Economics, was appointed in April 2024 as an Executive Director and President of the Company. Mr. Jian served as Chairman and General Manager of China Mobile Group Jiangxi Co., Ltd., China Mobile Group Sichuan Co., Ltd. and China Mobile Group Guangdong Co., Ltd., Vice President of China Mobile Communications Group Co., Ltd. and China Mobile Limited, Director and Vice President of China Mobile Communication Co., Ltd., non-executive director of Phoenix Media Investment (Holdings) Limited, Director of China Post Group Corporation Limited. Mr. Jian also serves as a Director and General Manager of Unicom Group, a Director and President of A Share Company, as well as a Director and President of CUCL. Mr. Jian has extensive experience in management and the telecommunications industry.

WANG JUNZHI

Executive Director

Aged 60, a postgraduate with a master's degree in Engineering, was appointed in December 2021 as an Executive Director of the Company. Mr. Wang served as Deputy Director General and Director General of the Department of Labor Protection of All-China Federation of Trade Unions ("ACFTU"), Chairman of the National Committee of the Trade Union of the Energy and Chemistry Sector of China, Director General of the Department of Labor and Economic Work of ACFTU, Secretary of the Secretariat of ACFTU, a member of the 15th and 16th Executive Committee of ACFTU as well as a member of the 16th Presidium of ACFTU. Mr. Wang is currently a Director of Unicom Group, a Director of A Share Company as well as a Director of CUCL. Mr. Wang has extensive experience in management.

DIRECTORS AND SENIOR MANAGEMENT

TANG YONGBO
Senior Vice President

Aged 51, a postgraduate with a master's degree in Business Administration, was appointed in December 2021 as a Senior Vice President of the Company. Mr. Tang served as Deputy General Manager and General Manager of Hunan Branch of China Unicom, General Manager of Marketing Department of Unicom Group. He was a Deputy to the 13th National People's Congress. Mr. Tang is currently a Non-Executive Director of China Tower Corporation Limited (listed on the Hong Kong Stock Exchange), a Non-Executive Director of China Communications Services Corporation Limited (listed on the Hong Kong Stock Exchange), a Non-Executive Director of HKT Limited (HKT Trust and HKT Limited are listed on the Hong Kong Stock Exchange) and HKT Management Limited (the trustee manager of the HKT Trust), a Non-Executive Director and the Deputy Chairman of the Board of PCCW Limited (listed on the Hong Kong Stock Exchange with an American Depositary Receipts trading on OTC Markets Group Inc.), Vice General Manager of Unicom Group, Senior Vice President of A Share Company, Director and Senior Vice President of CUCL. Mr. Tang has extensive experience in management and the telecommunications industry.

LI YUZHUO

Executive Director and Chief Financial Officer

Aged 52, a postgraduate with a master's degree in Business Administration, was appointed in February 2022 as an Executive Director and Chief Financial Officer of the Company. Ms. Li served as Director of the Finance Department of China ENFI Engineering Corporation Limited, Vice President of China ENFI Engineering Corporation, Head of the Capital Department and Secretary of the Board of Directors of China Metallurgical Group Corporation (Metallurgical Corporation of China Limited), and Head of the Capital Operation Department of China Minmetals Corporation. Ms. Li is currently Chief Accountant of Unicom Group, Financial Controller of A Share Company, the Director and the Chief Financial Officer of CUCL, as well as a Director of certain member of the Group. Ms. Li has extensive experience in financial investment and capital operation.

DIRECTORS AND SENIOR MANAGEMENT

WANG LIMIN

Senior Vice President

Aged 50, a postgraduate with a master's degree in Management, was appointed in July 2024 as a Senior Vice President of the Company. Mr. Wang served as Deputy General Manager of Harbin Municipal Branch of China Unicom, Deputy General Manager of Heilongjiang Branch of China Unicom, General Manager of Guizhou Branch of China Unicom, and General Manager of the Human Resources Department of Unicom Group. Mr. Wang is currently a Vice General Manager of Unicom Group, a Senior Vice President of A Share Company, as well as a Director and Senior Vice President of CUCL. Mr. Wang has extensive experience in management and the telecommunications industry.

HAO LIQIAN

Senior Vice President

Aged 53, a postgraduate with a master's degree in Business Administration, was appointed in September 2024 as a Senior Vice President of the Company. Mr. Hao served as General Manager of Jinan Municipal Branch of China Unicom, General Manager of Hainan Branch of China Unicom, General Manager of Hebei Branch of China Unicom, and General Manager of Guangdong Branch of China Unicom. Mr. Hao is currently a Vice General Manager of Unicom Group, a Senior Vice President of A Share Company, a Director and Senior Vice President of CUCL, as well as a Director of certain members of the Group. Mr. Hao has extensive experience in management and the telecommunications industry.

DIRECTORS AND SENIOR MANAGEMENT

CHEUNG WING LAM LINUS

Independent Non-Executive Director

Aged 76, was appointed in May 2004 as an Independent Non-Executive Director of the Company. Mr. Cheung is an Independent Non-Executive Director of HKR International Limited (listed on the Hong Kong Stock Exchange). Mr. Cheung was a member of the University of Hong Kong Council, Chairman of the University of Hong Kong School of Professional and Continuing Education, Chairman of Asia Television Limited, Deputy Chairman of PCCW Limited, Independent Non-Executive Directors of Taikang Life Insurance Company Limited and Sotheby's, as well as President of the Chartered Institute of Marketing (Hong Kong Region). Prior to the merger of Pacific Century Cyberworks Limited and Hong Kong Telecom Limited, Mr. Cheung was the Chief Executive of Hong Kong Telecom Limited and an Executive Director of Cable & Wireless plc in the United Kingdom. Mr. Cheung worked at Cathay Pacific Airways for 23 years, leaving as Deputy Managing Director. He was appointed an Official Justice of the Peace in 1990 and a Non-official Justice of the Peace in 1992. Mr. Cheung received a bachelor's degree in social sciences and a diploma in management studies from the University of Hong Kong. He is also an Honorary Fellow of the University of Hong Kong and of The Chartered Institute of Marketing in the United Kingdom.

CHUNG SHUI MING TIMPSON

Independent Non-Executive Director

Aged 73, was appointed in October 2008 as an Independent Non-Executive Director of the Company. Mr. Chung is the Pro-Chancellor of the City University of Hong Kong. Besides, Mr. Chung is an Independent Non Executive Director of The Miramar Hotel and Investment Company, Limited, China Overseas Grand Oceans Group Limited, Orient Overseas (International) Limited and Postal Savings Bank of China Co., Limited (all listed on the Hong Kong Stock Exchange). From October 2004 to October 2008, Mr. Chung served as an Independent Non-Executive Director of China Netcom Group Corporation (Hong Kong) Limited. Formerly, he was the Chairman of China Business of Jardine Fleming Holdings Limited and the Deputy Chief Executive Officer of BOC International Limited. He was also the Director-General of Democratic Alliance for the Betterment and Progress of Hong Kong, the Chairman of the Advisory Committee on Arts Development, the Chairman of the Council of the City University of Hong Kong, the Chairman of the Hong Kong Housing Society, a member of the Executive Council of the Hong Kong Special Administrative Region, the Vice Chairman of the Land Fund Advisory Committee of Hong Kong Special Administrative Region Government, a member of the Managing Board of the Kowloon-Canton Railway Corporation, a member of the Hong Kong Housing Authority, a member of the Disaster Relief Fund Advisory Committee, a member of the National Committee of the 10th to 13th Chinese People's Political Consultative Conference, an Independent Non-Executive Director of Henderson Land Development Company Limited, Nine Dragons Paper (Holdings) Limited, China Construction Bank Corporation, Jinmao Hotel and Jinmao (China) Hotel Investments and Management Limited, Glorious Sun Enterprises Limited, China Everbright Limited and China Railway Group Limited, an Independent Director of China Everbright Bank Company Limited and China State Construction Eng. Corp. Ltd. and an Outside Director of China Mobile Communications Corporation and China COSCO Shipping Corporation Limited. Mr. Chung holds a bachelor of science degree from the University of Hong Kong and a master's degree in business administration from the Chinese University of Hong Kong. Mr. Chung also received an honorary doctoral degree in Social Science from the City University of Hong Kong in 2010. Mr. Chung is a fellow member of the Hong Kong Institute of Certified Public Accountants.

DIRECTORS AND SENIOR MANAGEMENT

LAW FAN CHIU FUN FANNY

Independent Non-Executive Director

Aged 72, was appointed in November 2012 as an Independent Non-Executive Director of the Company. Mrs. Law is currently a Director of the Fan Family Trust Fund and the Honorary Principal of Ningbo Huizhen Academy. Besides, Mrs. Law is an Independent Non-Executive Director of Nameson Holdings Limited, Minmetals Land Limited, China Taiping Insurance Holdings Company Limited and New World Development Company Limited (all listed on the Hong Kong Stock Exchange). Mrs. Law served as a Member of the Executive Council of the Government of the Hong Kong Special Administrative Region ("HKSAR"), a Deputy of HKSAR to the National People's Congress of the People's Republic of China, Chairman of the Board of Directors of Hong Kong Science and Technology Parks Corporation, an Independent Non-Executive Director of DTXS Silk Road Investment Holdings Company Limited and CLP Holdings Limited and an External Director of China Resources (Holdings) Co., Limited. Prior to her retirement from the civil service in 2007, Mrs. Law was the Commissioner of the Hong Kong Independent Commission Against Corruption. During her 30 years as an Administrative Officer, Mrs. Law has worked in many fields, including medical and health, economic services, housing, land and planning, home affairs, social welfare, civil service, transport and education. Mrs. Law graduated from the University of Hong Kong with an Honours degree in Science, and in 2009 was named an outstanding alumnus of the Science Faculty of the University of Hong Kong. She received a Master degree in Public Administration from Harvard University and was named a Littauer Fellow of Harvard University. She also holds a Master degree in Education from the Chinese University of Hong Kong and is a Fellow of The Hong Kong Institute of Directors.

FAN CHUN WAH ANDREW

Independent Non-Executive Director

Aged 46, was appointed in April 2024 as an Independent Non-Executive Director of the Company. Mr. Fan is an independent non-executive director of Chuang's China Investments Limited, Nameson Holdings Limited, China Aircraft Leasing Group Holdings Limited, Sing Tao News Corporation Limited and China Overseas Grand Oceans Group Limited (all listed on the Main Board of the Hong Kong Stock Exchange). Mr. Fan is also a member of the 14th National Committee of the Chinese People's Political Consultative Conference, the Vice Chairman of the 10th to 12th Committees of the Zhejiang Province United Young Association, a Standing Committee member of the 12th and 13th Committee of the All-China Youth Federation. Mr. Fan served as an independent non-executive director of Space Group Holdings Limited and Culturecom Holdings Limited (all are listed on the Main Board of the Hong Kong Stock Exchange). Mr. Fan was appointed as a Justice of the Peace by the Hong Kong Special Administrative Region Government in 2016. Mr. Fan is a practicing certified public accountant in Hong Kong with over 19 years of experience. He holds a Bachelor Degree of Business Administration (Accounting and Finance) from The University of Hong Kong and a Bachelor Degree in Laws from the University of London. Mr. Fan is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and the Hong Kong Institute of Certified Public Accountants.

CORPORATE GOVERNANCE REPORT

The Board believes that a healthy corporate culture is the core of good corporate governance. China Unicom persistently enhances the development of corporate culture. The Company bravely undertakes the mission and tasks of the new journey of the new era and is committed to the development of the network and information industry. It focuses on the main responsibilities of constructing Cyber Superpower and Digital China while expanding its main businesses of Connectivity and Communications ("CC") and Computing and Digital Smart Applications ("CDSA"). The Company aims for the vision of becoming a world-class technology service enterprise with global competitiveness and fully implements the integrated innovation strategy. It is advancing network innovation, technology innovation and service innovation, and achieving new breakthroughs in high-quality development. It deeply implements the strategies to build a strong enterprise, i.e. via technology, talent, reform, digital and smart transformation, and brand. China Unicom plays the role of the leading contributor of digital information operation and services and the pioneer of digital technology integration and innovation. It nurtures an excellent corporate culture and consistently promotes the core values of "Customer-oriented, Inherently innovative, Employee-friendly, Proud of endeavours, Attentive to quality service, Adhering to integrity". It also adheres to the corporate style of "Rigorous, Pragmatic, Skillful, Meticulous, Efficient". The management philosophy of "Create value for customers, Dually driven by market and innovation, One China Unicom with integrated capabilities and operating services" has been established. The penetration and integration of China Unicom's corporate culture philosophy into production and operation, integrating the corporate culture into the entire process of production, operation and management, which help enhancing and improving the operational effectiveness and management efficiency while ensuring the ideal corporate culture has been reflected in the company's strategies, business models and operating practices.

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

In 2024, the Company's continuous efforts in corporate governance gained wide recognition from the capital markets and the Company was accredited with a number of awards. The Company was voted as "Asia's Most Honored Telecom Company" for nine years in a row in "2024 All-Asia Executive Team" ranking organised by the authoritative financial magazine, Institutional Investor. Meanwhile, the Company was also honored with "Asia's Best IR Program (Telecoms)". The Company was voted as "Best Overall Company in China — Gold" in "Asia's Best Managed Companies Poll 2024" organised by FinanceAsia, an authoritative financial magazine. The Company was awarded "Sustainable Asia Award" by Corporate Governance Asia. The Company was accredited with "Platinum Award — Excellence in Environmental, Social, and Governance" in "The Asset ESG Corporate Awards 2024". The Company was awarded "ESG Leading Enterprise" in "ESG Leading Enterprise 2024" by Bloomberg Businessweek and Deloitte.

CORPORATE GOVERNANCE REPORT

Part 2 of the Corporate Governance Code as set out in Appendix C1 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") (the "Listing Rules") provides for code provisions (the "Code Provisions") and recommended best practices with respect to (i) corporate purpose, strategy and governance, (ii) board composition and nomination, (iii) directors' responsibilities, delegation and board proceedings, (iv) audit, internal control and risk management, (v) remuneration and (vi) shareholders engagement. Other than the disclosures made in the section headed "Board of Directors" below, the Company confirms that for the year ended 31 December 2024, it complied with all the Code Provisions.

BOARD OF DIRECTORS

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

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

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

DESIGNATION

4 Executive Directors

4 Independent Non-Executive Directors

GENDER

6 Male

2 Female

AGE GROUP

3 45-54

2 55-64

3 >65

DURATION OF SERVICE (YEAR)

5 <5

3 >10

The roles and responsibilities of the Chairman and the Chief Executive Officer of the Company were performed by the same individual for the year ended 31 December 2024. 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. In addition, Mr. Chen Zhongyue, the Chairman of the Company, was unable to attend the annual general meeting of the Company convened on 30 May 2024 due to other important work arrangement. The Company attaches high regards on the annual general meeting which provides an opportunity for direct communication between the Board and the shareholders of the Company. Therefore, the Chairman of the Company had appointed another executive Director to chair the said annual general meeting and answer the questions raised by the shareholders.

For the year ended 31 December 2024, the Company had 4 independent non-executive Directors representing over one-third of the Board with 2 independent non-executive Director possessing appropriate professional accounting or related financial management expertise as required under Rule 3.10 of the Listing Rules. All independent non-executive Directors of the Company possess good knowledge and experience in different areas. The Company has established various channels for independent non-executive Directors to express their views in an open and honest manner and, if necessary, in a confidential manner. The independent non-executive Directors have been making positive contributions to the development of the Company's strategies and policies through independent, constructive and informed advice. Apart from the regular Board meeting, the Chairman meets annually with independent non-executive Directors, without the presence of other Directors, which further promotes the exchange of diversified views and opinions. Independent non-executive Directors have maintained close contact with the management and actively express constructive opinions on matters relating to corporate governance, operation management, risk prevention and the capital market at board meetings. These views and opinions facilitate the Board in making their decisions in the shareholders' best interests. All independent non-executive Directors, except for their equity interests and remuneration disclosed in this annual report, do not have any business with or financial interests in the Company, its holding company or subsidiaries, and have confirmed their independence to the Company upon appointment and annually. The Company considers that all independent non-executive Directors are currently independent. Such mechanisms enable independent views and inputs are available to the Board in an effective way, and the Board will review the implementation and effectiveness of such mechanisms on an annual basis. The functions of non-executive Directors include, amongst other things, attending board meetings, exercising independent judgements at meetings, playing a leading role in resolving any potential conflicts of interest, serving on committees by invitation and carefully examining whether the performance of the Company has reached the planned corporate targets and objectives, and monitoring and reporting on matters relating to the performance of the Company. With respect to the nomination and appointment of new directors and senior management members and the succession planning for Directors, the Nomination Committee would, after considering the Company's need for new directors and/or senior management members, identify a wide range of candidates from within the Company and the human resources market and make recommendations to the Board. The Nomination Committee will consider candidates on merit against objective criteria and with due regard to the benefits of diversity on the Board,

CORPORATE GOVERNANCE REPORT

including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and duration of service. After having obtained the consent from candidates in relation to the relevant nomination and based on the Company's actual needs, the Board would convene a meeting, attendees of which include non-executive Directors, to consider the qualifications of the candidates. The Directors of the Company (including non-executive Directors) are not appointed for a specific term. However, every director should be subject to retirement by rotation at least once every three years. And 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.

On 10 April 2024, Mr. Jian Qin was appointed as an executive Director and President of the Company, and Mr. Fan Chun Wah Andrew was appointed as an independent non-executive Director of the Company. Mr. Jian Qin and Mr. Fan Chun Wah Andrew had obtained legal advice in relation to the requirements, duties and obligations under the Listing Rules that are applicable to them as a director of a listed company on 8 April 2024 and 9 April 2024 respectively from an external legal adviser qualified to advise on Hong Kong law pursuant to Rule 3.09D of the Listing Rules. Mr. Jian Qin and Mr. Fan Chun Wah Andrew had confirmed that they understood their obligations as a director of a listed company. Every newly appointed Director is provided with a comprehensive, formal and tailored induction on appointment, including but not limited to the "Guidelines on Directors' Duties" published by the Hong Kong Companies Registry and the "Guidelines for Directors" published by the Hong Kong Institute of Directors. Directors have fiduciary responsibilities to the Company. They must not exercise their powers for improper purposes. They must not use the Company's opportunities to serve their own interests. Their personal interests are not allowed to conflict with the Company's interests, and they must not abuse the Company's assets. The Director would subsequently receive all briefing and professional development necessary to ensure that he/she has proper understanding of the Company's operations and businesses, full understanding of his/her responsibilities under the statutes, the common law, the Listing Rules, applicable legal and regulatory requirements, and the Company's business and corporate governance policies. Furthermore, formal letters of appointment setting out the key terms and conditions of the Directors' appointment will be duly prepared.

Directors' training is an ongoing process. The Company regularly invites various professionals to provide trainings on the latest changes and development of the legal and regulatory requirements as well as the market and/or industrial environment to Directors. In 2024, the Directors as at 31 December 2024 have participated in various training and continuous professional development activities and the summary of which is as follows:

	Types of training
Executive Director	
Chen Zhongyue *(Chairman)*	A, B
Jian Qin	A, B
Wang Junzhi	A, B
Li Yuzhuo	A, B
Independent Non-Executive Director	
Cheung Wing Lam Linus	A, B
Chung Shui Ming Timpson	A, B
Law Fan Chiu Fun Fanny	A, B
Fan Chun Wah Andrew	A, B

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

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

The Company has determined remuneration policy. The proposed remuneration package of Directors of the Company will be determined by the Remuneration Committee, subject to approval by the Board and in compliance with applicable laws, regulations and policies, and taking into account the responsibilities of such person in the Company, his experience and performance as well as the prevailing market conditions. The remuneration package for executive Directors includes salary and performance-linked annual bonuses. The remuneration of executive Directors is determined by reference to their respective duties and responsibilities in the Company, their respective experience, prevailing market conditions and applicable regulatory requirements while the award of the performance-linked annual bonuses is tied to the attainment of key performance indicators or targets set by the Company. The remuneration of non-executive Directors is determined by reference to prevailing market conditions and their respective responsibilities and workload from serving as non-executive Directors and members of the board committees of the Company. The Company also adopted share option scheme for the purpose of providing long term incentives to eligible participants, including Directors (details of such share option scheme are set out in the paragraph headed "Share Scheme of the Company" on pages 70 to 71 of this annual report). The remuneration for each Director and the remuneration of senior management by band are disclosed on pages 149 to 151 of this annual report. In addition to the remuneration, the Company has arranged appropriate insurance coverage in respect of legal action against the Directors.

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

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

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

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

Board meetings will be held for the selection, appointment or dismissal of the Company Secretary. To ensure the possession of up-to-date knowledge and market information to perform her duties, the Company Secretary attended over 15 hours of professional training in 2024.

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

All Directors are required to devote sufficient time and attention to the affairs of the Company. A culture of openness and debate are promoted in the Board and the Directors are encouraged to express their views and concerns. The Company provides monthly operating update to the Directors, so as to ensure the Directors are familiar with the Company's latest operations. In addition, through regular board meetings and reports from management, the Directors are able to clearly understand the operations, business strategy and latest development of the Company and the industry. Besides formal board meetings, the Chairman also meets annually with independent non-executive Directors, without the presence of other Directors, which further promotes the exchange of diversified views and opinions. In order to ensure that all Directors have appropriate knowledge of the matters discussed at the meetings, adequate, accurate, clear, complete and reliable information regarding those matters is provided in advance and in a timely manner, and all Directors have the right to inspect documents and information in relation to matters to be decided by the Board. The Directors have frequently visited various branches in Mainland China to gain better understanding of the Company's daily operations. In addition, the Company has arranged relevant trainings for the Directors (which include training sessions conducted by professional advisers, such as lawyers and accountants, from time to time) in order to broaden their knowledge in the relevant areas and to improve their understanding of the Company's business, legal and regulatory requirements and the latest operational technologies. The Board also conducts annual evaluation of its performance. Such efforts have improved the corporate governance of the Company.

In 2024, the Board held four board meetings and passed four written resolutions for, amongst other things, discussion and approval of important matters such as the 2023 annual results, the 2024 annual budget, the 2024 interim results, the first and the first three quarters results for 2024, sustainability report, reports on risk management and internal control, amendment of the articles of association, revision of annual caps for continuing connected transactions, appointment of executive Director and president, appointment of independent non-executive Director and appointment of senior vice president.

Set forth below is an overview of the attendance during the year of 2024 by the Board members at various meetings:

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

Note 1: On 10 April 2024, Mr. Jian Qin was appointed as an executive Director and President of the Company.

Note 2: On 10 April 2024, Mr. Fan Chun Wah Andrew was appointed as an independent non-executive Director of the Company.

Note 3: On 10 April 2024, Mr. Wong Wai Ming resigned as an independent non-executive Director of the Company.

Note 4: Certain Directors (including non-executive Director) did not attend the shareholders meeting and meetings of the Board and Committees due to other business commitments.

In 2024, the Board performed their fiduciary duties and devoted sufficient time and attention to the affairs of the Company. The Board works effectively and performs its responsibilities efficiently with all key and appropriate issues being discussed and approved in a timely manner.

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The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in Appendix C3 to the Listing Rules (the "Model Code") to govern securities transactions by directors. Further to the specific enquiries made by the Company to the Directors, all Directors have confirmed their compliance with the Model Code for the year ended 31 December 2024.

The Directors acknowledge their responsibilities for preparing the financial statements for the year ended 31 December 2024, which give a true and fair view of the financial position of the Company as at the statement of financial position date and financial performance and cash flows of the Company for the year ended the statement of financial position date, are properly prepared on the going concern basis in accordance with relevant statutory requirements and applicable financial reporting standards. A statement of the independent auditors about their reporting responsibilities related to the financial statements is set out in the independent auditor's report on pages 88 to 92 of this annual report.

COMMITTEES UNDER THE BOARD

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

Audit Committee Composition

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

Major Responsibilities

The primary responsibilities of the Audit Committee include: as the key representative body, overseeing the Company's relationship with the independent auditor, considering and approving the appointment, resignation and removal of the independent auditor; pre- approval of services and fees to be provided by the independent auditor based on the established pre-approval framework; supervising the independent auditor and determining the potential impact of non-audit services on such auditor's independence; reviewing quarterly and interim financial information as well as annual financial statements; coordinating and discussing with the independent auditor with respect to any issues identified and recommendations made during the audits; reviewing correspondences from the independent auditor to the management and responses of the management; discussing the risk management and internal control system with the management as well as reviewing the reports on the risk management and internal control procedures of the Company. The Audit Committee set up a whistle-blowing system to receive and handle cases of complaints regarding the Company's financial reporting, internal control or other matters. The whistle-blowers can use, in confidence and anonymity, to raise concerns about possible improprieties in any matter related to the Company through whistle- blowing channels. Any complaints on the aforementioned subject matters can be submitted by post (No. 21 Financial Street, Xicheng District, Beijing, 100033, China) or by phone (86-(010) 88091674). The Audit Committee is responsible to and regularly reports its work to the Board.

Work Completed in 2024

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

The Audit Committee held four meetings in 2024 for, amongst other things, discussion and approval of the 2023 annual results, the 2024 interim results, and the first and the first three quarters results for 2024. In addition, the Audit Committee approved in the meetings the sustainability report, the report of the work of sustainability, the report on risk management, the report on internal audit and internal control, the report on continuing connected transaction, the revision of annual caps for continuing connected transactions, the appointment, the audit fees and the audit plans of the independent auditor as well as the non-audit services provided by the independent auditor in 2024.

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

Remuneration Committee Composition

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

Major Responsibilities

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

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

Work Completed in 2024

The Remuneration Committee meets at least once a year. The Remuneration Committee held one meeting in 2024 for, amongst other things, discussion and approval of the proposal for appraisal and remuneration of senior management.

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

Nomination Committee Composition

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

Major Responsibilities

The primary responsibilities of the Nomination Committee include: reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the corporate strategy of the Company; identifying individuals suitably qualified to become Board members and making recommendations to the Board; formulating, reviewing and implementing the board diversity policy; assessing the independence of independent non-executive Directors; making recommendations to the Board on the appointment or re- appointment of Directors and succession planning for Directors; providing advice to the Board on candidates of the senior management nominated by the CEO and on changes to the senior management of the Company.

Work Completed in 2024

The Nomination Committee meets at least once a year. The Nomination Committee held one meeting and passed three written resolutions in 2024 for, amongst other things, reviewing the structure, size and composition of the Board, reviewing the board diversity policy and its implementation, assessment of the independence of independent non-executive Directors, making recommendations to the Board on the proposed re-election of Directors and the appointment of executive Directors, independent non-executive Director and senior vice presidents.

The Company has determined nomination policy. With respect to the nomination and appointment of new directors and senior management members and the succession planning for directors, the Nomination Committee would, after considering the Company's need for new directors and/or senior management members, identify a wide range of candidates from within the Company and the human resources market and make recommendations to the Board. The Nomination Committee will consider candidates on merit against objective criteria and with due regard to the benefits of diversity on the Board, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and duration of service. After having obtained the consent from candidates in relation to the relevant nomination and based on the Company's actual needs, the Board would convene a meeting, attendees of which include non-executive Directors, to consider the qualifications of the candidates. Every director should be subject to retirement by rotation at least once every three years. And pursuant to the Company's articles of association, one-third of the Directors shall retire from office by rotation and be eligible for re- election at each annual general meeting.

The Company has also determined a policy concerning diversity of board members. The Company recognises and embraces the benefits of having a diverse Board, and notes increasing diversity at Board level as an essential element in maintaining a competitive advantage. All Board appointments are made on merit on a selective basis, in the context of the skills and experience the Board as a whole requires to be effective. In reviewing Board composition, the Nomination Committee will consider their professional knowledge, skills, experience and the balance of diversity of perspectives which are appropriate to the Company's business model and specific needs. In identifying suitable candidates for appointment to the Board, the Nomination Committee will give due regard to the benefits of diversity on the Board and base on a range of diversity perspectives including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and duration of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Board and the Nomination Committee review the board diversity policy as well as its implementation and effectiveness every year to ensure that the board diversity policy continues to serve its purpose. Currently the Board comprises eight members, amongst which two members, accounting for 25% of the whole Board, are female directors. The Board considers that gender diversity is achieved in respect of the Board, and targets to maintain at least the current level of female representation. In addition, the gender proportion (Male/Female) of all employees of the Company is 1.62:1. The female representation in senior management has continuously increased, from 11.9% in 2019 to 12.9% in 2024. The Company targets to maintain at least the current level of female representation in the workforce (including senior management). The Company is not aware of any mitigating factors or circumstances which make achieving gender diversity across the workforce (including senior management) more challenging or less relevant. The Company strictly implements the Labour Law of the People's Republic of China and the Labour Contract Law of the People's Republic of China and related laws and regulations. Adhering to the principles of fairness, openness, and impartiality, the Company comprehensively upgraded the recruitment policy system. It upheld diversity and non-discriminatory employment practices. It strictly prohibits the publication of employment information containing discriminatory clauses related to gender, age, etc., that violate national regulations. Efforts are made to create a fair employment environment.

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

INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu is the independent auditor of the Company. Apart from audit services, it also provides other assurance and non-audit services. The audit committees supervised the independent auditor and determined the potential impact of non-audit services on such auditor's independence, and pre-approved the services and fees to be provided by the independent auditor based on the established pre-approval framework. The remuneration paid/payable to the independent auditor for provision of services in 2024 is as follows:

Items	Note	2024 (in RMB thousands)
Audit services for financial statements	(i)	46,890
Other special purpose audit and assurance services	(ii)	4,853
Non-audit services	(iii)	1,379

Notes:

(i) Audit services for financial statements in 2024 mainly included the provision of audit service for the Company's consolidated financial statements, and statutory audit services for the financial statements of its subsidiaries.

(ii) Other special purpose audit and assurance services are the audit and assurance services other than the audit services for financial statements.

(iii) Non-audit services included other services that can be reasonably provided by the independent auditor. In 2024, the provisions of non-audit services mainly included tax compliance services and other advisory services.

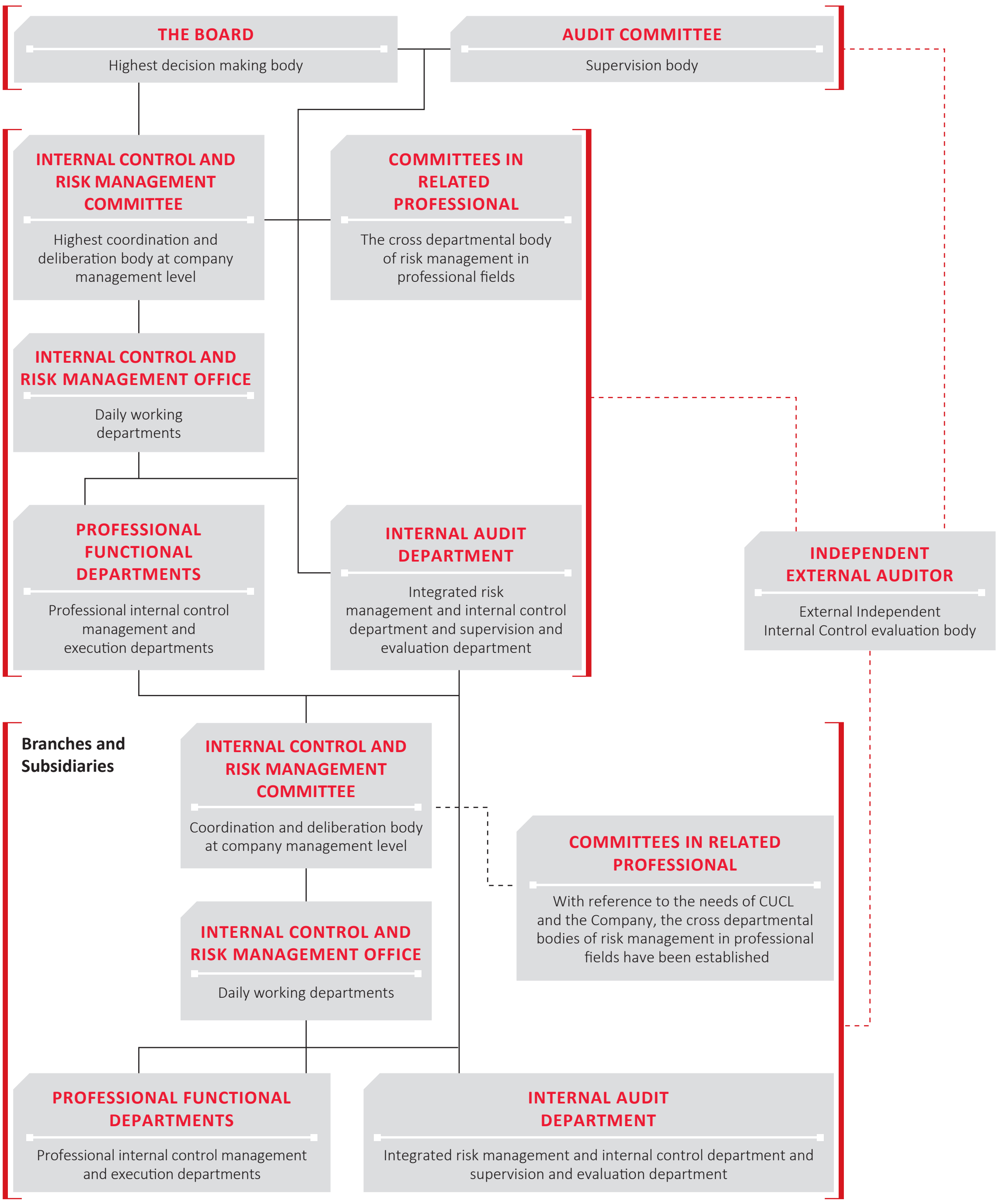
RISK MANAGEMENT AND INTERNAL CONTROL

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

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

Organisation systems

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



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The Company has an internal audit department with 621 staff members, with officers stationed at various provincial branches. The internal audit department reports directly to the Audit Committee at least twice annually and is independent of the Company's daily operation and accounting functions. The internal audit department is responsible for overall risk evaluation, special risk evaluation and internal control self-testing etc. It has also formulated targeted risk prevention and control measures, conducted risk follow-up inspections and has enhanced the risk awareness of the employees, all of which have played an active role in the Company's effective support and safeguard of its operation management and business development. Furthermore, with an emphasis on the effectiveness of internal control with respect to the efficiency of operations, accuracy of financial information, and compliance with rules and regulations, the internal audit department conducts, amongst others, internal control assessment and internal audit on economic accountability. In addition, the internal audit department also contributes to strengthening the operation and management, improving internal control systems, mitigating operational risks and increasing the economic efficiency of the Company.

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

1. Control Environment: Establishes the control environment which fulfill COSO requirements to provide the appropriate operating environment for the effective implementation of internal control

2. Risk Evaluation: Establishes the Policy on Risk Evaluation Management and evaluation mechanism, evaluates the risks to the achievement of its objectives across the Company and identifies to the new risk due to the changes

3. Control Activities: Deploys appropriate policies and control procedures over the Company's business activities, identifies key control procedures and policies of significant control activities through evaluation

4. Information and Communication: Identifies relevant information and communication methods, establishes information and communication mechanisms to aggregate and delivers relevant information

5. Monitoring Activities: Establishes the internal control monitoring mechanism, implements the monitoring procedures and adopted the before, during and extensive monitoring principles, and carries on the proper monitoring to the internal control

Risk evaluation and management

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

2024 Risk evaluation result

The followings were the major significant risks which the Company encountered and its countermeasures in 2024:

Network and cybersecurity risk

As a fundamental telecommunications enterprise, the Company possesses a modern communication network spans the nation and connects to the world, along with a global customer service system. The services benefit thousands of households and various industries. Network and cybersecurity are not only a prerequisite for the Company's high-quality development, but also crucial for personal information security, enterprise security, and even national security. The Company attaches great importance to network and cybersecurity, strictly complies with the requirements of national laws and regulations, and insists on serving the construction of Cyber Superpower and Digital China. We take the maintenance of network and cybersecurity as an important mission of defending the territory, and are committed to serving as the leading contributor of digital information operation and services and the pioneer of digital technology integration and innovation.

Risk of the quality of government and enterprise business and arrears management

With the vigorous development of the digital economy, new technologies, new business forms, and new models are constantly emerging. The profound changes resulting from the deep integration of the digital economy and the real economy provided vast opportunities for the innovative transformation, enhancement of core competitiveness, and sustainable development of the Company. The Company attaches great importance to the research and development of innovative products, persistently strengthens its independent service capabilities and the integration of self-developed products, while accelerating the development of computing power services and sustainable revenue businesses for innovative standardised products. The Company is fully pushing forward the credit rating management of key business clients and optimising the structure of government and enterprise clients.

Risk of Compliance of Foreign Export Control

In recent years, the competition between China and the United States in the high-tech sector has intensified. The United States has frequently enacted anti-Chinese regulatory policies and conducted targeted investigation. The Department of Commerce of the United States has continuously strengthened its suppression of supercomputing, artificial intelligence and other high-tech fields of China. The Company attaches great importance to complying with foreign export control requirements. It enhances the monitoring and research of export control regulations of the United States, promptly analyses and assesses risk dynamics, improves the compliance review process for Computing and Digital Smart Applications business, reinforces pre-transaction checks on counterparties to ensures that transaction models do not violate key U.S. export control regulations.

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Risk of personnel turnover and talent reserve

The demands for digitalisation, networking, intelligent transformation and upgrading in the telecommunications industry are increasing, necessitating that the scale and capabilities of the technology talent team to align with the Company's need for technological innovation and business development. The Company attaches great importance to the reserve of high-level technological talent, persistently strengthens the team of young technological talents, and vigorously builds the core competitiveness and sustainable development capabilities for future business growth.

The scope of the 2024 overall risk evaluation covered the whole Group, which included the headquarters of the Group, 31 provincial branches, and its cities-level branch offices multiple subsidiaries. Through both the quantitative and qualitative analysis, the Company fully considered the changes in operating environment, business and policies, identified the potential risks to the Company's operation, and planned for the risk according to the quantitative result. After reporting to each professional departments and the management, the significant risks and the risk level of the year were finally determined. The annual risk management instructions from the management were implemented according to the Policy on Risk Management and the Company's risk management requirement. This included the formulation of relevant risk management strategies, solution and corresponding departments, as well as organising the carrying out of interim follow-up inspection works. The negative impacts arising from the risks and risk events were controlled as planned and were within an acceptable range. There were no significant control failings or weaknesses that have been identified during the year.

Monitoring and Optimisation

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

As a telecommunications operator, the Company is subject to the laws and regulations, e.g., relevant provisions in the Cybersecurity Law of the People's Republic of China, Data Security Law of the People's Republic of China, Personal Information Protection Law of the People's Republic of China and Anti-Telecom and Online Fraud Law of the People's Republic of China, designed to protect critical information infrastructure. Personal privacy, information security, and data protection are increasingly significant issues in China and other jurisdictions in which the Company operate. For example, Cybersecurity Law of the People's Republic of China published in 2016 which sets forth the general framework regulating network products, equipment and services, as well as the operation and maintenance of information networks, the protection of personal data, and the supervision and administration of cybersecurity in China. The Data Security Law of the People's Republic of China and Personal Information Protection Law of the People's Republic of China published in 2021 further regulate data and personal information processing activities, and protect the legitimate rights and interests of individuals and organisations from being infringed. The Anti-Telecom and Online Fraud Law of the People's Republic of China published in 2022 which clearly stated that telecommunications, finance, and network institutions are the main anti-fraud focus entities, and carry out targeted system design for various aspects of telecom and online fraud to consolidate corporate responsibility. The Company also devotes significant resources to network security, data security and other security measures to protect its systems and data and in response to the evolving cybersecurity laws and regulations. The Company also employs risk management and internal control systems. including, among other things, (i) continuously strengthening data security capabilities, such as improving data encryption, protection of critical information infrastructure and security of supply chain of the information technology products and services; (ii) establishing data protection compliance policies and guidelines, including training on crisis management and compliance of cybersecurity laws and regulations; (iv) self-examining potential risks and weakness of data system and updating private policy; (iv) enhancing the real-time monitoring and alarm reporting system and implementing an emergency action plan to allow the Company to act responsively and minimise losses in the event of an emergency; and (v) continuously improving compliance efforts through enhanced sharing of relevant knowledge internally and externally. The Company is required to perform a security assessment when transferring personal information and important data overseas if such personal information and important data are collected and generated from the operation in China.

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Annual review

The Board oversees the Company's risk management and internal control systems on an ongoing basis and the Board conducted an annual review of the risk management and internal control systems of the Company and its subsidiaries for the financial year ended 31 December 2024, which covered all material controls including financial, operational and compliance controls. After receiving the reports from the Internal Audit Department, as well as the confirmation from the management to the Board on the effectiveness of these systems, the Board is of the view that the Company's risk management and internal control systems is effective and adequate. The review also ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit, financial reporting function, as well as those relating to the Company's ESG performance and reporting.

Information Disclosure Controls and Procedural Standards

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

Policy and Work of Anti-corruption

Continuously improving the anti-corruption system

In 2024, the Company continuously promoted the construction of the discipline inspection and supervision system, formulating over 50 important normative documents covering four major areas: supervision and inspection, disciplinary enforcement, discipline and conduct building, and fundamental management.

- Strengthening daily supervision of key personnel. The Company issued the "Implementation Measures for Interviews with Management of China Unicom", standardising the interview work of management at all levels, strengthening daily reminders, and reinforcing early intervention and prevention.

- Enhancing the standardisation level of discipline inspection and supervision team building. The Company issued the "Accountability Measures for Disciplinary Inspection and Supervision Cadres of China Unicom for Inadequate Performance of Duties", strengthening comprehensive supervision over the ideological understanding, duty performance, and conduct of disciplinary inspection and supervision cadres, and building a high-calibre professional disciplinary inspection and supervision team.

- Optimising the anti-corruption risk prevention and control system mechanism. Based on the 103 integrity risk points and 309 preventive measures guidelines proposed in the "China Unicom Key Areas Integrity Risk Prevention and Control Guidelines Manual" (2022 Edition), the "Related Key Areas Integrity Risk Prevention and Control Guidelines" was additionally compiled in 2024. It addressed 17 integrity risk points in four key areas, including network maintenance and information security, and proposed 47 preventive measures guidelines, further strengthening the integrity risk prevention and control network.

CORPORATE GOVERNANCE REPORT

Enhancing the integrity of the anti-corruption and pre-corruption mechanism

The Company continuously strengthened the construction of discipline and work style, resolutely eliminated the conditions for corruption to breed, and created an atmosphere of integrity and uprightness for entrepreneurship.

- Enriching the means and carriers for building a culture of integrity in the new era. The Company formulated and issued the China Unicom Integrity Culture Work Guidelines, focusing on strengthening 18 areas of work, specifying 30 mandatory actions and 20 advocated actions, to promote the in-depth and practical development of an integrity culture in the new era.

- Improving the corporate supervision framework. The Company formulated and issued the "Unicom Group Anti-Corruption Coordination Team Work Plan (2023-2027)", promoting each member unit to strengthen work coordination and continuously form a strong joint force against corruption.

- The Company issued the "Opinions on Several Issues Concerning the Application of the 'Regulations on Petition Letters and Visits' by China Unicom's Discipline Inspection and Supervision Institutions" to promote accurate understanding of core principles and requirements, establish a good order for petition letters and visits reporting, and enhance the standardisation level of work.

In 2024, China Unicom provided anti-corruption education and training to a total of 1.797 million person-time and achieved 100% employee coverage in anti-corruption education activities.

POLICY ON PAYMENT OF DIVIDEND

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

In view of the good performance over the past year, the Board recommended the payment of a final dividend of RMB0.1562 per share for the year ended 31 December 2024, together with an interim dividend of RMB0.2481 per share already paid during the year, total dividend for 2024 amounted to RMB0.4043 per share.

CORPORATE TRANSPARENCY AND INVESTOR RELATIONS

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

Upon the announcement of interim and annual results, the Company will generally hold analyst briefings, press conferences, and global conference with investors. During such conferences, the management of the Company would interact directly with analysts, fund managers, investors and journalists to provide them with relevant information and data of the Company. The Company's management would accurately and thoroughly respond to questions raised by analysts, fund managers, investors and journalists. Archived webcast of the investor presentation is also available on the Company's website to ensure wide dissemination of information and data.

CORPORATE GOVERNANCE REPORT

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

In 2024, the Company participated in the following investor conferences:

Date	Conferences
January 2024	Citi 2024 China Technology and Telecom Corporate Day
January 2024	UBS Greater China Conference 2024
March 2024	5th Annual Jefferies Asia Forum
May 2024	Macquarie Asia Conference 2024
May 2024	Goldman Sachs TechNet Conference Asia Pacific 2024
May 2024	J.P. Morgan Global China Summit 2024
May 2024	UBS Asian Investment Conference 2024
June 2024	Nomura Investment Forum Asia 2024
August 2024	Citi 2024 China Technology, Telecom and Internet Corporate Day
September 2024	31st CITIC CLSA Investors' Forum
September 2024	Goldman Sachs China+ Conference 2024
November 2024	Citi China Investor Conference 2024
November 2024	Daiwa Investment Conference Hong Kong 2024
December 2024	GF Securities Hong Kong Strategy Conference 2024

In addition, through announcements, press releases and the Company website (www.chinaunicom.com.hk), the Company disseminates the latest information regarding any significant business development in a timely and accurate manner. In the perspective of investor relations, the Company's website not only serves as an important channel for the Company to disseminate press releases and corporate information to investors and the capital market, but also plays a significant role in the Company's valuation and our compliance with regulatory requirements for information disclosure. In 2024, the Company updated the content of its website on an ongoing basis to further enhance the functions of website and level of transparency in information disclosure, striving for achieving international best practices. Our website was honored with the Gold Award by an international institution, "iNova Awards", this year.

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

The Company's effort in investor relations is well recognised by the capital market, and accredited with a number of awards. The Company was voted as "Asia's Best IR Program (Telecoms) " in "2024 All-Asia Executive Team" ranking organised by Institutional Investor.

SHAREHOLDERS' RIGHTS

Annual General Meeting

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

CORPORATE GOVERNANCE REPORT

The last annual general meeting of the Company was held on 30 May 2024, at which the following resolutions were passed and percentage of votes cast in favor of the resolutions are set out as follows:

- to receive and consider the financial statements and the Reports of the Directors and of the Independent Auditor for the year ended 31 December 2023 (over 99%)
- to declare a final dividend for the year ended 31 December 2023 (over 99%)
- to re-elect Mr. Jian Qin, Ms. Li Yuzhuo, Mr. Cheung Wing Lam Linus and Mr. Fan Chun Wah Andrew as Directors, and to authorise the Board to fix remuneration of the Directors (over 98%)
- to re-appoint auditor and authorise the Board to fix their remuneration for the year ending 31 December 2024 (over 99%)
- to grant a general mandate for share buy-back (over 99%)
- to grant a general mandate to issue new shares (over 98%)
- to extend the general mandate to issue new shares (over 98%)
- to approve the proposed amendments to the Articles of Association of the Company and the adoption of the new Articles of Association of the Company (over 99%)

The next annual general meeting will be held on 29 May 2025. Please refer to the circular, which sets out the details, that has been dispatched together with this Annual Report.

Putting Forward Resolutions at Annual General Meetings

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

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

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

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

Convening Extraordinary General Meetings

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

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

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

CORPORATE GOVERNANCE REPORT

Putting Forward Resolutions at Extraordinary General Meetings

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

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

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

To provide flexibility to the Company in relation to the conduct of general meetings, the Company's shareholders passed a special resolution at the annual general meeting on 30 May 2024 approving certain amendments to the articles of association of the Company to, among other things, in order to improve the efficiency of electronic dissemination of corporate communications and to maintain the consistency of the articles of association with the provisions of the Listing Rules in relation to the expansion of the paperless listing regime and the requirements for publication of corporate communications by electronic means which have come into effect on 31 December 2023. The latest version of the articles of association of the Company is available on both the websites of the Company and the Hong Kong Stock Exchange.

CONTINUOUS EVOLUTION OF CORPORATE GOVERNANCE

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

ENQUIRY ON THE COMPANY

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

China Unicom (Hong Kong) Limited

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

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

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

IPv6 https://www.chinaunicom.com.hk

REPORT OF DIRECTORS

The board of directors (the "Board") of China Unicom (Hong Kong) Limited (the "Company") is pleased to present its report together with the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2024.

PRINCIPAL ACTIVITIES

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

RESULTS AND APPROPRIATION

The results of the Group for the year ended 31 December 2024 are set out on pages 93 to 94 of this annual report.

In view of the good performance over the past year, the Board has resolved to recommend at the forthcoming shareholders' general meeting that the payment of a final dividend of RMB0.1562 per ordinary share ("2024 Final Dividend") for the year ended 31 December 2024, totaling approximately RMB4,779 million. Together with the 2024 interim dividend payment of RMB0.2481 per share during 2024, the total dividend payment for 2024 amounted to RMB0.4043 per share, totaling approximately RMB12,370 million (2023: RMB10,299 million). Going forward, the Company will continue to strive for enhancing its profitability and shareholders' returns. If approved by shareholders at the forthcoming annual general meeting, the 2024 Final Dividend is expected to be paid in Hong Kong dollars on or about 25 June 2025 to those members registered in the Company's register of members as at 6 June 2025 (the "Final Dividend Record Date").

FINANCIAL INFORMATION

Please refer to the Financial Summary on pages 210 to 211 for the summary of the operating results, assets and liabilities of the Group for the five years ended 31 December 2024.

Please refer to the financial statements on pages 93 to 209 for the operating results of the Group for the year ended 31 December 2024 and the respective financial positions of the Group and the Company as at that date.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2024 is set out in the sections headed "Chairman's Statement" on pages 8 to 15, "Business Overview" on pages 16 to 19, "Financial Overview" on pages 20 to 25, "Financial Statements" on pages 93 to 209, "Human Resources Development" on pages 86 to 87, "Corporate Governance Report" on pages 40 to 67 and "Report of the Directors" on pages 68 to 85 respectively of this annual report. All references herein to other sections or reports in this annual report form part of this Report of the Directors.

LOANS

Please refer to Notes 33, 37 and 43.1 to the consolidated financial statements for details of the borrowings of the Group.

COMMERCIAL PAPERS

Please refer to Note 38 to the consolidated financial statements for details of the commercial papers of the Group.

CAPITALISED INTEREST

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

EQUITY-LINKED AGREEMENTS

Other than the share scheme as disclosed in this Report of the Directors, as at 31 December 2024, no equity-linked agreements were entered into by the Group or subsisted during the year.

PROPERTY, PLANT AND EQUIPMENT

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

CHARGE ON ASSETS

As at 31 December 2024, no property, plant and equipment was pledged to banks as loan security (31 December 2023: Nil).

SHARE CAPITAL

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

RESERVES

Please refer to page 98 and page 188 of this annual report for the movements in the reserves of the Group and the Company during the year ended 31 December 2024 respectively. As at 31 December 2024, the distributable reserve of the Company amounted to approximately RMB14,989 million (2023: approximately RMB7,855 million).

SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

CHANGES IN SHAREHOLDERS' EQUITY

Please refer to page 98 of this annual report for the Consolidated Statement of Changes in Equity and page 188 for the Statement of Changes in Equity.

EMPLOYEE BENEFIT EXPENSES

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

PRE-EMPTIVE RIGHTS

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

MAJOR CUSTOMERS AND SUPPLIERS

The Group's sales to its five largest customers for the year ended 31 December 2024 did not exceed 30% of the Group's total turnover for the year.

The Group's purchases from its largest supplier for the year ended 31 December 2024 represented approximately 15.11% of the Group's total purchases for the year. The total purchases attributable to the five largest suppliers of the Group for the year ended 31 December 2024 accounted for approximately 36.01% of the total purchases of the Group for the year.

None of the Directors nor their respective close associates (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) nor any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share) had any interests in the five largest suppliers of the Group for the year ended 31 December 2024.

REPORT OF DIRECTORS

SHARE SCHEME OF THE COMPANY

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

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

(2) any grant of share options to a Connected Person (as defined in the Listing Rules) of the Company must be approved by the independent non-executive Directors of the Company (excluding any independent non-executive Director of the Company in the case such Director is a grantee of the options) and all grants to connected persons shall be subject to compliance with the requirements of the Listing Rules, including where necessary the prior approval of the shareholders;

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

$$N = A - B - C$$

where:

"N" is the maximum aggregate number of shares in respect of which share options may be granted pursuant to the 2014 Share Option Scheme;

"A" is the maximum aggregate number of shares in respect of which shares options may be granted pursuant to the 2014 Share Option Scheme and any other share option schemes of the Company, being 10% of the aggregate of the number of shares in issue as at the date of adoption of the 2014 Share Option Scheme;

"B" is the maximum aggregate number of shares underlying the share options already granted pursuant to the 2014 Share Option Scheme; and

"C" is the maximum aggregate number of shares underlying the options already granted pursuant to any other share option schemes of the Company.

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

(4) the option period commences on any day after the date on which such share option is offered, but may not exceed 10 years from the offer date;

(5) the subscription price shall not be less than the higher of:

(a) the closing price of the shares on the Hong Kong Stock Exchange on the offer date in respect of the share options; and

(b) the average closing price of the shares on the Hong Kong Stock Exchange for the five trading days immediately preceding the offer date;

(6) the total number of shares in the Company issued and to be issued upon exercise of the share options granted to a participant of the 2014 Share Option Scheme (including both exercised and outstanding share options) in any 12-month period must not exceed 1% of the issued share capital of the Company; and

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

No share options had been granted since adoption of the 2014 Share Option Scheme. As at 1 January 2024 and 31 December 2024, the number of options available for grant under the Scheme Mandate Limit was 1,777,437,107 and nil, respectively.

As at the date of this annual report, the number of shares available for issue under the 2014 Share Option Scheme was nil.

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

For the year ended 31 December 2024 and as at 31 December 2024, none of the Directors of the Company or chief executives or employees of the Company had any interests under any share scheme of the Company.

REPORT OF DIRECTORS

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

As at 31 December 2024, the interests and short positions of Directors and chief executives of the Company in any shares, underlying shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the Hong Kong Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules"), were as follows:

Long Positions in the Shares and Underlying Shares of the Company

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

Save as disclosed in the foregoing, as at 31 December 2024, none of the Directors or chief executives of the Company had any interests or short positions in any shares, underlying shares, or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) as recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

Furthermore, save as disclosed in the foregoing, during the year ended 31 December 2024, none of the Directors or chief executives (including their spouses and children under the age of 18) of the Company had any interests in or was granted any right to subscribe in any shares, underlying shares, or debentures of the Company or any of its associated corporations, or had exercised any such rights.

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

As at 31 December 2024, the following persons (other than disclosed under the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures") had the following interests and short positions in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of Part XV of the SFO:

Long Positions in the Shares and Underlying Shares of the Company

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

Notes:

(1) Unicom Group and A Share Company directly or indirectly control one-third or more of the voting rights in the shareholders' meetings of Unicom BVI, and in accordance with the SFO, the interests of Unicom BVI are deemed to be, and have therefore been included in, the respective interests of Unicom Group and A Share Company.

(2) Unicom Group BVI is a wholly-owned subsidiary of Unicom Group. In accordance with the SFO, the interests of Unicom Group BVI are deemed to be, and have therefore been included in, the interests of Unicom Group.

(3) Unicom Group BVI holds 8,082,130,236 shares (representing 26.41% of the total issued shares) of the Company directly. In addition, Unicom Group BVI is also interested in 225,722,791 shares (representing 0.74% of the total issued shares) of the Company under the SFO, in which Unicom Group BVI had a pre-emptive right.

Apart from the foregoing, as at 31 December 2024, no person had any interest or short position in the shares or underlying shares in the Company as recorded in the register required to be kept under Section 336 of the SFO.

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

REPORT OF DIRECTORS

REPURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

For the year ended 31 December 2024, neither the Company nor any of its subsidiaries had repurchased, sold or redeemed any of the Company's listed shares.

COMPOSITION OF THE BOARD

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

Executive Directors:
Chen Zhongyue *(Chairman and Chief Executive Officer)*
Jian Qin (appointed on 10 April 2024)
Wang Junzhi
Li Yuzhuo

Independent Non-Executive Directors:
Cheung Wing Lam Linus
Wong Wai Ming (resigned on 10 April 2024)
Chung Shui Ming Timpson
Law Fan Chiu Fun Fanny
Fan Chun Wah Andrew (appointed on 10 April 2024)

Pursuant to the articles of association, Mr. Wang Junzhi, Mr. Chung Shui Ming Timpson and Mrs. Law Fan Chiu Fun Fanny will retire at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

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

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save for the service agreements between the Company and the executive Directors subsisted during 2024 or as at 31 December 2024, the Directors or his/her connected entity(ies) did not have any material interest, whether directly or indirectly, in any significant transaction, arrangement or contract entered into by the Company.

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

DIRECTORS' INTEREST IN COMPETING BUSINESSES

Unicom Group and A Share Company are engaged in telecommunications business and other related businesses in China that are similar to and/or compete with those of the Company. Executive directors of the Company also hold executive positions with Unicom Group and A Share Company. Please refer to the section headed "Directors and Senior Management" on pages 29 to 39 of this annual report for further details.

Apart from the above, there are no competing interests of directors which are disclosable under Rule 8.10(2)(b) of the Listing Rules at any time during the year of 2024 up to and including the date of this annual report.

DIRECTORS OF SUBSIDIARIES

The names of all directors who have served on the boards of the subsidiaries of the Company during the year ended 31 December 2024 and up to the date of this report of directors are available on the Company's website (http://www.chinaunicom.com.hk).

PERMITTED INDEMNITY

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

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2024, the Group had approximately 239,307 employees, 862 employees and 448 employees in Mainland China, Hong Kong-Macau-Taiwan and other countries, respectively. Furthermore, the Group had approximately 9,277 temporary staff in Mainland China. For the year ended 31 December 2024, employee benefit expenses were approximately RMB64.93 billion (for the year ended 31 December 2023: RMB62.94 billion), of which the salary of the contract employees was approximately RMB44.04 billion (for the year ended 31 December 2023: RMB41.28 billion). The Group endeavors to maintain its employees' remuneration in line with the market trend and to remain competitive. Employees' remuneration is determined in accordance with the Group's remuneration and bonus policies based on their performance. The Group also provides comprehensive benefit packages and career development opportunities for its employees, including retirement benefits, housing benefits and internal and external training programmes, which are tailored in accordance with individual needs.

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

CONTINUING CONNECTED TRANSACTIONS

On 28 October 2022, CUCL, a wholly-owned subsidiary of the Company, and Unicom Group entered into a comprehensive services agreement (the "2023–2025 Comprehensive Services Agreement") while Finance Company ("Finance Company"), a subsidiary of the Company, and Unicom Group entered into a financial services agreement (the "2023–2025 Financial Services Agreement"). Pursuant to the 2023–2025 Comprehensive Services Agreement, CUCL and Unicom Group agreed to provide services to each other or by one to the other, including (i) use of telecommunications resources; (ii) property leasing; (iii) value-added telecommunications services; (iv) materials procurement services; (v) engineering design and construction and IT services; (vi) ancillary telecommunications services; (vii) comprehensive support services and (viii) shared services. Pursuant to 2023–2025 Financial Services Agreement, Finance Company agreed to provide financial services to Unicom Group. The above continuing connected transactions will be for a term of three years from 1 January 2023 to 31 December 2025.

With the continuous expansion of operating scale and the continuous improvement of the centralised capital management capabilities of CUCL, a wholly-owned subsidiary of the Company, and subject to the satisfaction of the daily operation of CUCL and its subsidiary, Finance Company, the actual amount of the lending and other credit services between Finance Company and Unicom Group in 2023 (RMB4,633 million) was close to the cap of the transaction (RMB4,650 million). In order to further satisfy the capital management needs of CUCL and enhance the capital efficiency, on 19 March 2024, the Board approved Finance Company and Unicom Group to enter into a supplemental agreement to revise the caps, being the daily lending and other credit services

REPORT OF DIRECTORS

balance (including accrued interests) for the lending and other credit services to be provided by Finance Company to Unicom Group under the 2023–2025 Financial Services Agreement for each of the two years ending 31 December 2024 and 2025 to RMB7,500 million, respectively. Save as disclosed above, all other terms and conditions under the 2023–2025 Financial Services Agreement remain unchanged and valid.

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

(1) Use of Telecommunications Resources

Unicom Group agrees to provide to CUCL:

(a) certain international telecommunications resources (including international telecommunications channel gateways, international telecommunications service gateways, international submarine cable capacity, international land cables and international satellite facilities); and

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

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

For the year ended 31 December 2024, the total charges paid by CUCL to Unicom Group amounted to approximately RMB217 million.

(2) Property Leasing

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

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

For the year ended 31 December 2024, the rental charges paid by CUCL to Unicom Group (relating to those leases of which the lease term is 12 months or less) amounted to approximately RMB1,131 million, the total value of right-of-use assets involved in the properties leased by CUCL (relating to those leases of which the lease term exceeds 12 months) amounted to approximately RMB108 million, and the rental charges paid by Unicom Group to CUCL was negligible.

(3) Value-added Telecommunications Services

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

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

For the year ended 31 December 2024, the total amount allocated to Unicom Group in relation to value-added telecommunications services amounted to approximately RMB128 million.

(4) Materials Procurement Services

Unicom Group agrees to provide comprehensive procurement services for imported and domestic telecommunications materials and other domestic non-telecommunications materials to CUCL. Unicom Group has also agreed to provide services on management of tenders, verification of technical specifications, installation, consulting and agency services. In addition, Unicom Group will sell materials to CUCL and resell the equipment purchased from the third parties, and will also provide storage and logistics services in relation to the above materials procurement.

REPORT OF DIRECTORS

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

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

(b) up to 1% of the contract value of those procurement contracts in the case of imported materials procurement.

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

For the year ended 31 December 2024, the total charges paid by CUCL to Unicom Group amounted to approximately RMB36 million.

(5) Engineering Design and Construction and IT Services

Unicom Group agrees to provide engineering design, construction and supervision services and IT services to CUCL. Engineering design services include planning and design, engineering inspection, telecommunications electronic engineering, telecommunications equipment engineering and corporate telecommunications engineering. Construction services include services relating to telecommunications equipment, telecommunications routing, power supplies, telecommunications conduit, and technical support systems. IT services include communications technology services (including construction and installation services, system integration services, software development, product sales and agent services, operation and maintenance services, and consultation services).

The charges for the provision of engineering design and construction and IT services are based on market rates. Market rates refer to the rates at which the same or similar type of products or services are provided by Independent Third Parties in the ordinary course of business and under normal commercial terms. When determining the pricing standard, to the extent practicable, management of the Company will take into account the rates of at least two similar and comparable transactions entered into with Independent Third Parties in the corresponding period for reference. In the event the recipient will determine the specific provider of engineering design and construction and IT services through tender, the provider shall be no less qualified and equipped than the Independent Third Parties, and shall participate in the tender procedure on an equal footing with the Independent Third Parties.

Under such circumstances, the pricing will be determined by the final rate according to the tender procedure. The service charges will be settled between CUCL and Unicom Group as and when the relevant services are provided.

For the year ended 31 December 2024, the total charges paid by CUCL to Unicom Group amounted to approximately RMB944 million.

(6) Ancillary Telecommunications Services

Unicom Group agrees to provide ancillary telecommunications services to CUCL. These services include certain telecommunications pre-sale, on-sale and after-sale services such as assembling and repairing of certain client telecommunications equipment, sales agency services, printing and invoice delivery services, maintenance of telephone booths, customers acquisitions and servicing and other customers' services.

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

For the year ended 31 December 2024, the total services charges paid by CUCL to Unicom Group amounted to approximately RMB1,094 million.

(7) Comprehensive Support Services

Unicom Group and CUCL agree to provide comprehensive support services to each other, including dining services, facilities leasing services (excluding those facilities which are provided under the paragraph headed "Use of Telecommunications Resources" above), vehicle services, health and medical services, labour services, security services, hotel and conference services, gardening services, decoration and renovation services, construction agency, equipment maintenance services, market development, sanitary services, parking services, staff trainings, storage services, advertising services, marketing, property management services.

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

The service charges are determined by the market rates between the two parties. Where there is no market rate or it is not possible to determine the market rate, the rate will be negotiated and agreed between the two parties. Market rates refer to the rates at

REPORT OF DIRECTORS

which the same or similar type of assets or services are provided by Independent Third Parties under normal commercial terms. Negotiated rates refer to the rates based on the reasonable costs plus the amount of the relevant taxes and reasonable profit margin. When determining the pricing standard or reasonable profit margin, to the extent practicable, management of the Company will take into account the rates of at least two similar and comparable transactions entered into with Independent Third Parties or the relevant industry profit margin in the corresponding period for reference. The service charges will be settled between CUCL and Unicom Group as and when the relevant services are provided.

For the year ended 31 December 2024, the total services charges paid by CUCL to Unicom Group amounted to approximately RMB742 million, and the total services charges paid by Unicom Group to CUCL amounted to approximately RMB278 million.

(8) Shared Services

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

For the year ended 31 December 2024, the total services charges paid by CUCL to Unicom Group amounted to approximately RMB77 million, and the services charges paid by Unicom Group to CUCL was negligible.

(9) Financial Services

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

The key pricing policies are follows:

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

(a) Deposit Services

The maximum and minimum deposit interest rates will follow the provisions of the People's Bank of China for deposits of the same period and the same type, and be determined with reference to the interest rate for the same period and same type of deposit offered to Unicom Group by the major cooperative commercial banks of Unicom Group and/or offered by Finance Company to other clients, and will be on normal commercial terms.

(b) Lending and other credit services

The lending and other credit services interest rates will follow the relevant provisions of the People's Bank of China, which will be based on Loan Prime Rate and be determined with reference to the interest rate for the same period and same type of lending and other credit services offered to the same type of corporations by the major cooperative commercial banks of Unicom Group and/or offered by Finance Company to its other clients, and will be on normal commercial terms. For the year ended 31 December 2024, the maximum daily lending and other credit services balance (including accrued interests) amounted to approximately RMB7,433 million.

(c) Other financial services

The rate of financial services will be determined according to the principles of fairness and reasonableness, as well as the fair market price or the standards set by the state. The fees to be charged by Finance Company for the provision of the financial services to Unicom Group will comply with the relevant prescribed rates for such services as determined by the institutions, including the People's Bank of China or the China Banking and Insurance Regulatory Commission, etc. Where no relevant prescribed rate is applicable, the fee will be determined with reference to market rates of similar financial services charges and agreed fairly between the parties. For the year ended 31 December 2024, the total fees paid by Unicom Group to Finance Company amounted to approximately RMB2 million.

The service charges will be settled between Finance Company and Unicom Group as and when the relevant services are provided.

For the financial year ended 31 December 2024, the above continuing connected transactions have not exceeded their respective caps.

The Company has formulated and strictly implemented various systems including the Administrative Measures of Connected Transactions of China Unicom to ensure that connected transactions are properly entered into in accordance with pricing mechanisms and the terms of the transactions are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The staff from the relevant business departments and the connected persons of the Company will negotiate the pricing terms of the continuing connected transactions. These pricing terms will be determined in accordance with the pricing policy principles set out in the 2023–2025 Comprehensive Services Agreement and the 2023–2025 Financial Services Agreement, which should be fair and reasonable and subject to the review of the finance department.

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The legal department is responsible for the review of the agreement for connected transactions. The finance department takes the lead in the daily management and supervision of connected transactions, including liaising with the relevant business departments for account reconciliation with connected parties, monitoring the implementation of connected transactions together with business departments on a routine basis and performing supervisory examination. The finance department regularly reports the status of the implementation of connected transactions to the Audit Committee. The audit department includes review on connected transactions into the scope of annual internal control assessment and reports the results to the management.

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

The Company's independent auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The independent auditor has issued an unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in pages 75 to 81 of this annual report in accordance with paragraph14A.56 of the Listing Rules. The independent auditors' letter has confirmed that nothing has come to their attention that cause them to believe that the continuing connected transactions:

(A) have not been approved by the Board;

(B) were not, in all material respects, in accordance with the pricing policies of the Group as stated in this annual report;

(C) were not entered into, in all material respects, in accordance with the relevant agreements governing the continuing connected transactions; and

(D) have exceeded their respective annual caps for the financial year ended 31 December 2024 set out in the previous announcements of the Company.

The Company confirms that it has complied with the requirements of Chapter 14A of the Listing Rules in relation to all connected transactions and continuing connected transactions to which any Group member was a party during 2024. Please refer to Note 43 to the consolidated financial statements for a summary of the related party transactions entered into by the members of the Group for the year ended 31 December 2024. Only those connected transactions specified in note 43.1 and 43.2 of the consolidated financial statements constitute continuing connected transactions under Chapter 14A of the Listing Rules, the details of which (except for fully exempt continuing connected transactions) have been disclosed in the paragraph "Continuing Connected Transactions" in the Report of the Directors above. Other related party transactions do not constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.

CORPORATE GOVERNANCE REPORT

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

MATERIAL LEGAL PROCEEDINGS

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

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

For the year ended 31 December 2024, the Company had not been involved in any material litigation, arbitration or administrative proceedings. So far as the Company is aware of, no such material litigation, arbitration or administrative proceedings were pending or threatened as at 31 December 2024.

PUBLIC FLOAT

Based on publicly available information and so far as Directors are aware, the Company has maintained the specified amount of public float as required by the Hong Kong Stock Exchange during the year ended 31 December 2024 and as at the date of this annual report.

DONATIONS

For the year ended 31 December 2024, the Group made charitable and other donations in an aggregate amount of approximately RMB2.031 million.

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CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining the shareholders' rights to attend and vote at the Annual General Meeting (and any adjournment thereof) on 29 May 2025, and entitlement to the 2024 Final Dividend, the register of members of the Company will be closed for registration of transfer of shares. Details of such closures are set out below:

(1) For ascertaining the shareholders' rights to attend and vote at the Annual General Meeting (and any adjournment thereof):

Latest time to lodge transfer documents for registration	4:30 p.m. of 21 May 2025
Closure of register of members	From 22 May 2025 to 29 May 2025
Record date	22 May 2025

(2) For ascertaining the shareholders' entitlement to the 2024 Final Dividend:

Latest time to lodge transfer documents for registration	4:30 p.m. of 5 June 2025
Closure of register of members	6 June 2025
Final Dividend Record date	6 June 2025

During the above closure periods, no transfer of shares will be registered. To be eligible to attend and vote at the Annual General Meeting, and to qualify for the 2024 Final Dividend, all transfers, accompanied by the relevant certificates, must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services 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 2024 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 2024 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 2024 Final Dividend payable to them after deducting the amount of Enterprise Income Tax payable on such dividend. Investors who invest in the shares in the Company listed on the Main Board of The Stock Exchange of Hong Kong Limited through the Shanghai Stock Exchange or Shenzhen Stock Exchange (the Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect investors) are investors who hold shares through HKSCC Nominees Limited, and in accordance with the above requirements, the Company will pay to HKSCC Nominees Limited the amount of the 2024 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 2024 Final Dividend, should lodge with the Company's Share Registrar, Computershare Hong Kong Investor Services 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 5 June 2025, and present the documents from such shareholder's governing tax authority within the territory of the PRC confirming that the Company is not required to withhold and pay Enterprise Income Tax in respect of the dividend that such shareholder is entitled to.

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

MANAGEMENT CONTRACTS

Other than employment contracts, no contract concerning the management and administration of the whole or any substantial part of the Company's business was entered into or existed during 2024.

INDEPENDENT AUDITOR

The Hong Kong financial reporting for the year ended 31 December 2024 has been audited by Deloitte Touche Tohmatsu, which will retire and, being eligible, offer itself for re-appointment at the 2025 annual general meeting. A resolution to re-appoint Deloitte Touche Tohmatsu and to authorise the Directors to fix its respective remuneration will be proposed at the 2025 annual general meeting.

By Order of the Board
Chen Zhongyue
Chairman and Chief Executive Officer

Hong Kong, 18 March 2025

HUMAN RESOURCES DEVELOPMENT

China Unicom adheres to the principle of being employee-oriented as its core principle, and has always focused on the mutual growth of employees and the Company, and maintained the comprehensive development and vitality of its workforce. In 2024, China Unicom further implemented its strategy of strengthening the Company with talent, comprehensively cultivating, attracting, and effectively utilising talent. This effort drove the formation of a favourable situation where the "three teams" of management talents, professional technical talents, and skilled talents, each perform their duties, fulfil their responsibilities, showcase their abilities, and achieve interconnected growth, thereby providing strong talent support for the Company's high-quality development.

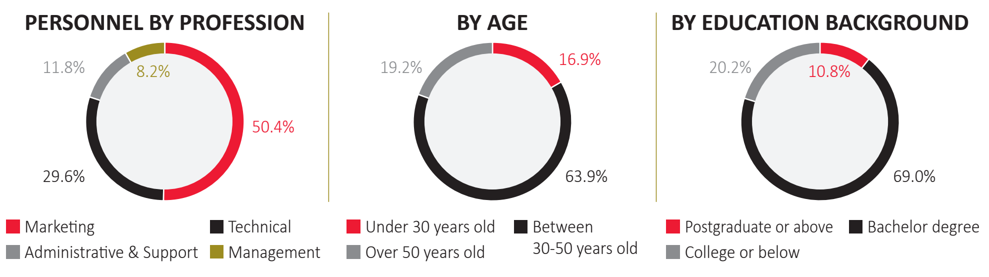
China Unicom accelerated the establishment of a national strategic talent force for scientific and technological innovation, and focused on supporting the realisation of high-level scientific and technological self-reliance and self-improvement. The Company actively integrated itself into the general trend of "building a world-class talent center and innovation hub". The scale of scientific and technological talents continued to expand, with effective progress in building a team of young scientific and technological talents. The Company established echelons of high-level scientific and technological talents as well as high-skilled talents, significantly optimising the talent structure that supports high-quality development and continuously enhancing the quality and efficiency of talents. China Unicom persisted in improving efficiency while controlling the overall quantity. The Company implemented target management for labour efficiency. In 2024, the labour productivity of the Company continued to increase, and the workforce size remained stable. The Company implemented the national stable employment policy and recruited nearly 22,000 graduates over the past three years. The Company uniformly implemented the "New Seedling Scheme," deepening school-enterprise cooperation and establishing a training system for young employees to accelerate the growth and development of graduates.

The Company strengthened institutional development by revising and implementing regulations such as management personnel management and comprehensive assessment evaluations, continuously solidifying the management foundation. It conducted comprehensive analysis and planning for the management team, rolling out updates on the "White Paper" on management team building, and continuously selecting and enhancing the management team. The Company strengthened systematic training and development by continuously conducting key programs such as exemplary classes for outstanding management talents and coordinating the implementation of professional capability enhancement training in various fields. It provided targeted training for outstanding management talents, organising and planning cross-regional and cross-position exchanges and training. By fully leveraging the enthusiasm of management personnel of all ages, the Company continuously increased efforts to discover, cultivate, and utilise outstanding young management talents, consistently enhancing the construction of the management personnel echelon. China Unicom continued to improve the supervision system for management personnel, combining daily and special supervision to enhance supervisory effectiveness. The Company deeply advanced upward and downward mobility for management personnel, continuously promoting the term system and contractual management for management personnel and strengthening the application of assessment and evaluation results. The Company combined the annual comprehensive assessment and evaluation with thematic research to simultaneously carry out the work of "Incentivising Responsibility and Action, Boosting the Spirit of Entrepreneurship", continuously guiding a wide range of management personnel to establish and practise a correct view of performance.

The Company focused on actively serving the national strategy and fully implemented the integrated innovation strategy, promoting network innovation, technology innovation, and service innovation. It formulated annual key training plans for management personnel, professional talents, and skilled workers, strengthening targeted training and development, and conducting specialised training on employees' job performance capabilities in phases and batches. The Company promoted training certification for key teams and improved the construction of the competency certification system. Targeting key business areas such as Artificial Intelligence, Big Data, and Cybersecurity, the Company implemented position competency certification and training empowerment.

The Company improved the efficiency of resource allocation for labour costs. It optimised the mechanism for sharing the incremental benefits of the total wage amount, increased positive incentives for year-on-year profit improvement, raised the adjustment ratio of existing amounts, and closely linked the efficiency indicators to dynamic adjustments. The Company's profit margin of labour costs and the ratio of total human resource investment to revenue increased year-on-year. China Unicom made full use of the incentive and guarantee policies for technological innovation, focusing on the strategic emerging fields to increase the supply of incentive resources and allocating a specific total wage budget to support the artificial intelligence action plan and the development of high-level talent teams. Highlighting the importance of core talents in key roles, the Company established incentive and constraint mechanisms tailored to the unique skills and differential contributions of individual talents. China Unicom was committed to addressing structural contradictions in the distribution field, optimising the relationship of internal income distribution, and reasonably determining remuneration levels across different groups. With the implementation of diversified incentives, the Company flexibly carried out medium and long-term incentive programs and completed the first batch of share unlocks for Phase II of restricted share of China United Network Communications Limited ("the A-share Company") incentive scheme, thereby building a community of shared interests and risks.

ANALYSIS OF STAFF COMPOSITION



For further details of Human Resources Development, please refer to the relevant sections of the Company's detailed Sustainability Report 2024. Please visit the Company's website at www.chinaunicom.com.hk.

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

TO THE MEMBERS OF CHINA UNICOM (HONG KONG) LIMITED
(incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of China Unicom (Hong Kong) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 93 to 209, which comprise the consolidated statement of financial position as at 31 December 2024, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
We identified revenue recognition as a key audit matter because there is an inherent industry risk around the accuracy of revenue recorded by the IT billing systems given the complexity of the systems and the significance of volumes of data processed by the systems. In general, revenues are recognised separately for each service/product included in contracts as performance obligations are satisfied. The data records are captured and the revenue transactions are recorded by the IT systems. Details of the accounting policies for revenue recognition and an analysis of revenues are disclosed in Notes 2.25 and 6, respectively, to the consolidated financial statements.	Our procedures in relation to revenue recognition comprising both control testing and substantive procedures on a sample basis, included involving our internal IT specialists to assist with: • Testing the IT environment in which the billing systems reside, including interface controls between different IT applications. • Testing the key controls over the calculation of the amounts billed to customers and the capturing and recording of the revenue transactions. • Testing the key controls over the authorisation of the rate changes and the input of such rates to the billing systems. • Testing the end-to-end reconciliations from data records to the billing systems and to the general ledger. • Testing the accuracy of customer bill calculations and the respective revenue transactions recorded. • Testing revenue transactions by comparing the amounts recognised in general ledger to supporting documents, including customer bills, contracts, project schedules and acceptance reports.

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill and long-lived assets	
We identified the impairment of goodwill and long-lived assets as a key audit matter because the impairment assessment of the cash-generating unit to which those assets belong requires the management to exercise significant judgments relating to the estimation of level of revenue, amount of operating costs and applicable discount rate. Details of the accounting policies for impairment of goodwill and long-lived assets and the related accounting estimates are disclosed in Notes 2.8, 2.13 and 4.2, respectively, to the consolidated financial statements. Details of goodwill impairment assessment are disclosed in Note 17 to the consolidated financial statements.	Our procedures in relation to the impairment of goodwill and long-lived assets included: • With the assistance of our internal valuation specialists, assessing the discount rate and assumptions used by the management in the value in use model and comparing the discount rate used by the management to externally derived data and our own assessments of key inputs used in deriving the discount rate. • With the assistance of our internal valuation specialists, comparing the key inputs to the projected cash flows, such as the revenue growth rate and amount of operating costs, with corresponding historical data to evaluate the reasonableness of the management's projections. • Assessing and challenging the significant judgments and estimates used in the management's impairment assessment and evaluating the sensitivity analysis performed by the management.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITOR'S REPORT

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
18 March 2025

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2024

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

	Note	Year ended 31 December 2024	2023
Revenue	6	389,589	372,597
Interconnection charges		(11,224)	(11,294)
Depreciation and amortisation		(83,392)	(84,847)
Network, operation and support expenses	7	(64,320)	(60,026)
Employee benefit expenses	8	(64,931)	(62,939)
Costs of telecommunications products sold	9	(42,466)	(36,403)
Other operating expenses	10	(107,223)	(102,123)
Finance costs	11	(1,784)	(1,981)
Interest income		1,981	2,105
Share of net profit of associates		2,592	2,519
Share of net profit of joint ventures		1,481	1,803
Other income — net	12	4,951	3,534
Profit before income tax		25,254	22,945
Income tax expenses	13	(4,521)	(4,023)
Profit for the year		20,733	18,922
Profit attributable to:			
Equity shareholders of the Company		20,613	18,726
Non-controlling interests		120	196
Profit for the year		20,733	18,922
Earnings per share for profit attributable to equity shareholders of the Company during the year:			
Basic earnings per share (RMB)	14	0.67	0.61
Diluted earnings per share (RMB)	14	0.67	0.61

The notes on pages 102 to 209 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	Year ended 31 December	
	2024	2023
Profit for the year	**20,733**	18,922
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)	**165**	195
Tax effect on changes in fair value of financial assets measured at FVOCI (non-recycling)	**(7)**	(4)
Changes in fair value of financial assets measured at FVOCI, net of tax (non-recycling)	**158**	191
Others	**(33)**	(5)
	125	186
Items that may be reclassified subsequently to statement of income:		
Changes in fair value of financial assets measured at FVOCI, net of tax (recycling)	**14**	43
Share of other comprehensive income of associates	**—**	2
Currency translation differences	**124**	88
	138	133
Other comprehensive income for the year, net of tax	**263**	319
Total comprehensive income for the year	**20,996**	19,241
Total comprehensive income attributable to:		
Equity shareholders of the Company	**20,875**	19,038
Non-controlling interests	**121**	203
Total comprehensive income for the year	**20,996**	19,241

The notes on pages 102 to 209 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024
(All amounts in RMB millions)

	Note	As at 31 December 2024	2023
ASSETS			
Non-current assets			
Property, plant and equipment	15	351,530	355,995
Right-of-use assets	16	47,522	52,608
Goodwill	17	2,771	2,771
Interest in associates	19	45,058	44,188
Interest in joint ventures	20	11,453	10,240
Deferred income tax assets	13	1,256	817
Contract assets	21	77	86
Contract costs	22	8,868	8,493
Amounts due from related parties	43	3	—
Financial assets measured at fair value	23	4,667	5,217
Long-term bank deposits		15,185	—
Other assets	25	24,047	22,535
		512,437	502,950
Current assets			
Inventories	26	2,463	2,217
Contract assets	21	275	279
Accounts receivable	27	53,730	38,692
Prepayments and other current assets	28	27,590	26,208
Amounts due from ultimate holding company	43	5,113	4,610
Amounts due from related parties	43	1,387	588
Amounts due from domestic carriers		4,386	2,267
Financial assets measured at fair value	23	9,150	24,428
Short-term bank deposits and restricted deposits	24	26,226	11,079
Cash and cash equivalents	29	28,480	47,733
		158,800	158,101
Total assets		671,237	661,051

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024
(All amounts in RMB millions)

	Note	As at 31 December 2024	2023
EQUITY			
Equity attributable to equity shareholders of the Company			
Share capital	30	254,056	254,056
Reserves	31	(10,378)	(12,912)
Retained profits			
— Proposed final dividend	32	4,779	4,088
— Others		112,588	106,242
		361,045	351,474
Non-controlling interests		2,525	2,424
Total equity		363,570	353,898
LIABILITIES			
Non-current liabilities			
Long-term bank loans	33	1,170	1,252
Lease liabilities	34	24,222	30,617
Deferred income tax liabilities	13	1,306	600
Deferred revenue	35	8,229	9,212
Amounts due to ultimate holding company	43	958	881
Other obligations	36	1,110	939
		36,995	43,501

	Note	As at 31 December 2024	2023
Current liabilities			
Short-term bank loans	37	**711**	681
Current portion of long-term bank loans	33	**243**	354
Lease liabilities	34	**13,419**	12,640
Accounts payable and accrued liabilities	39	**163,367**	161,279
Bills payable		**5,296**	6,275
Taxes payable		**2,683**	3,547
Amounts due to ultimate holding company	43	**2,026**	1,033
Amounts due to related parties	43	**29,311**	25,924
Amounts due to domestic carriers		**4,159**	2,959
Current portion of other obligations	36	**2,495**	2,493
Contract liabilities	21	**46,739**	46,179
Advances from customers		**223**	288
		270,672	263,652
Total liabilities		**307,667**	307,153
Total equity and liabilities		**671,237**	661,051
Net current liabilities		**(111,872)**	(105,551)
Total assets less current liabilities		**400,565**	397,399

The notes on pages 102 to 209 are an integral part of these consolidated financial statements.

Approved and authorised for issue by the Board of Directors on 18 March 2025 and signed on behalf of the Board by:

Chen Zhongyue
Chairman and Chief Executive Officer

Li Yuzhuo
Executive Director and Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

(All amounts in RMB millions)

	Note	Attributable to equity shareholders of the Company								
	Note	Share capital	General risk reserve	Investment revaluation reserve	Statutory reserves	Other reserves	Retained profits	Total	Non-controlling interests	Total equity
Balance at 1 January 2023		254,056	987	(9,464)	34,286	(41,043)	102,797	341,619	1,917	343,536
Total comprehensive income for the year		—	—	187	—	125	18,726	19,038	203	19,241
Contribution from non-controlling interests		—	—	—	—	44	—	44	342	386
Appropriation to statutory reserves		—	—	—	1,647	—	(1,647)	—	—	—
Dividends relating to 2022 final	32	—	—	—	—	—	(3,335)	(3,335)	—	(3,335)
Dividends relating to 2023 interim	32	—	—	—	—	—	(6,211)	(6,211)	—	(6,211)
Capital contribution relating to share-based payment borne by A Share Company	42	—	—	—	—	282	—	282	—	282
Others		—	—	—	—	37	—	37	(38)	(1)
Balance at 31 December 2023		254,056	987	(9,277)	35,933	(40,555)	110,330	351,474	2,424	353,898
Total comprehensive income for the year		—	—	150	—	112	20,613	20,875	121	20,996
Contribution from non-controlling interests		—	—	—	—	1	—	1	21	22
Share of associate's other reserves		—	—	—	—	13	—	13	—	13
Appropriation to statutory reserves		—	—	—	1,897	—	(1,897)	—	—	—
Dividends relating to 2023 final	32	—	—	—	—	—	(4,088)	(4,088)	—	(4,088)
Dividends relating to 2024 interim	32	—	—	—	—	—	(7,591)	(7,591)	—	(7,591)
Capital contribution relating to share-based payment borne by A Share Company	42	—	—	—	—	247	—	247	—	247
Others		—	—	—	—	114	—	114	(41)	73
Balance at 31 December 2024		254,056	987	(9,127)	37,830	(40,068)	117,367	361,045	2,525	363,570

The notes on pages 102 to 209 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

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

	Year ended 31 December	
	2024	2023
Cash flows from operating activities		
Cash generated from operations	94,435	106,022
Interest received	1,981	2,105
Interest paid	(1,797)	(1,906)
Income tax paid	(5,217)	(3,830)
Net cash inflow from operating activities	89,402	102,391
Cash flows from investing activities		
Purchase of property, plant and equipment, right-of-use assets and other assets	(75,740)	(79,375)
Proceeds from disposal of property, plant and equipment and other assets	1,976	1,388
Acquisition of financial assets measured at fair value through profit or loss (“FVPL”)	(1,062)	(1,230)
Proceeds from disposal of financial assets measured at FVPL	1,316	1,707
Acquisition of debt securities measured at FVOCI (recycling)	(6,020)	(22,980)
Proceeds from disposal of debt securities measured at FVOCI (recycling)	22,330	17,397
Decrease/(increase) in other financial assets measured at amortised cost	15	(5,424)
Dividends received from financial assets measured at FVOCI (non-recycling)	156	159
Acquisition of interest in associates	(65)	(776)
Acquisition of interest in joint ventures	(87)	(5)
Acquisition of a subsidiary	(4)	—
Proceeds from disposal of associates and joint ventures	—	400
Dividends received from associates	1,772	1,246
Dividends received from a joint venture	360	150
Placement of bank deposits and restricted deposits	(42,219)	(11,015)
Release of short-term bank deposits and restricted deposits	13,016	12,815
Lending by Unicom Group Finance Company Limited (“Finance Company”) to a related party	(8,400)	(5,700)
Repayment of loans from a related party to Finance Company	8,000	5,700
Net cash outflow from investing activities	(84,656)	(85,543)

CONSOLIDATED STATEMENT OF CASH FLOWS

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

	Note	Year ended 31 December 2024	2023
Cash flows from financing activities			
Capital contributions from non-controlling interests		22	386
Proceeds from bank loans		947	711
Loans from related parties		546	583
Repayment of short-term bank loans		(680)	(330)
Repayment of long-term bank loans		(440)	(385)
Repayment of commercial papers		—	(5,000)
Repayment of related party loans		—	(913)
Capital element of lease rentals paid		(12,887)	(12,103)
Dividends paid to equity shareholders of the Company		(11,683)	(9,546)
Net deposits with Finance Company		999	949
(Increase)/decrease in statutory reserve deposits placed by Finance Company		(874)	1,542
Repayment of other obligations		(14)	(409)
Net cash outflow from financing activities		(24,064)	(24,515)
Net decrease in cash and cash equivalents		(19,318)	(7,667)
Cash and cash equivalents, beginning of year		47,733	55,297
Effect of changes in foreign exchange rate		65	103
Total cash and cash equivalents, end of year	29	28,480	47,733
Analysis of the balances of cash and cash equivalents:			
Cash balances		—	—
Bank balances		28,480	47,733
		28,480	47,733

The notes on pages 102 to 209 are an integral part of these consolidated financial statements.

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

	Year ended 31 December	
	2024	2023
Profit before income tax	**25,254**	22,945
Adjustments for:		
Depreciation and amortisation	**83,392**	84,847
Interest income	**(1,981)**	(2,105)
Finance costs	**1,733**	1,956
(Gain)/loss on disposal of property, plant and equipment	**(2,827)**	1,181
Impairment losses under expected credit loss ("ECL") model and write-down of inventories	**7,275**	6,356
Dividends from financial assets measured at FVOCI (non-recycling)	**(156)**	(159)
Gains on disposal of financial assets measured at FVPL	**(17)**	(14)
Gains on disposal of financial assets measured at FVOCI (recycling)	**(1)**	(1)
Dividends from financial assets at FVPL	**(10)**	(2)
Investment income from debt securities measured at FVOCI (recycling)	**(385)**	(424)
Investment income from debt securities measured at amortised cost	**(23)**	—
Fair value gains on financial assets measured at FVPL	**(49)**	(114)
Share of net profit of associates	**(2,592)**	(2,519)
Share of net profit of joint ventures	**(1,481)**	(1,803)
Expenses for restricted shares of A Share Company granted to the Group's employees	**247**	282
Changes in working capital:		
Increase in accounts receivable	**(27,132)**	(18,212)
Decrease/(increase) in contract assets	**14**	(28)
Increase in contract costs	**(7,400)**	(8,498)
Increase in inventories	**(377)**	(94)
(Increase)/decrease in restricted deposits	**(70)**	278
Decrease/(increase) in other assets	**266**	(199)
Increase in prepayments and other current assets	**(1,294)**	(193)
Increase in amounts due from ultimate holding company	**(80)**	(4)
Increase in amounts due from related parties	**(802)**	(123)
Increase in amounts due from domestic carriers	**(2,119)**	(323)
Increase in accounts payable and accrued liabilities	**20,870**	12,124
Increase in other taxes payable	**435**	515
Decrease in advances from customers	**(76)**	(100)
Increase in contract liabilities	**573**	1,465
(Decrease)/increase in deferred revenue	**(870)**	1,464
Increase/(decrease) in other obligations	**55**	(49)
(Decrease)/increase in amounts due to ultimate holding company	**(39)**	25
Increase in amounts due to related parties	**2,902**	6,714
Increase in amounts due to domestic carriers	**1,200**	834
Cash generated from operations	**94,435**	106,022

The notes on pages 102 to 209 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

1. ORGANISATION AND PRINCIPAL ACTIVITIES

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

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

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

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

2.1 Statement of compliance

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.2 Basis of preparation

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

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

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

(a) Going Concern Assumption

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.2 Basis of preparation (Continued)

(b) Critical Accounting Estimates and Judgment

The preparation of the consolidated financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in Note 4.

(c) Accounting Standards Amendments

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

- Amendments to HKFRS 16, "Lease Liability in a Sale and Leaseback"

- Amendments to HKAS 1, "Classification of Liabilities as Current or Non-current" and related amendments to Hong Kong Interpretation 5 (2020)

- Amendments to HKAS 1, "Non-current Liabilities with Covenants"

- Amendments to HKAS 7 and HKFRS 7, "Supplier Finance Arrangements"

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.2 Basis of preparation (Continued)

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

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

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

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

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2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.2 Basis of preparation (Continued)

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

HKFRS 18, "Presentation and Disclosure in Financial Statements"

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

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

2.3 Subsidiaries and non-controlling interests

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

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.3 Subsidiaries and non-controlling interests (Continued)

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

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

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

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

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2.12) or, when appropriate, the cost on initial recognition of an investment in an associate or a joint venture (see Note 2.4).

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

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2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.4 Associates, joint ventures and joint arrangement

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

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

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

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

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

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.4 Associates, joint ventures and joint arrangement (Continued)

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

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

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

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

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

2.5 Segment reporting

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

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For the year ended 31 December 2024
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2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.6 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

(c) Group companies

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

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

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

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.7 Property, plant and equipment

(a) Construction-in-progress

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

(b) Property, plant and equipment

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(All amounts in RMB millions unless otherwise stated)

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.7 Property, plant and equipment (Continued)

(c) Depreciation

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

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

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

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

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

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

2.8 Goodwill

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.9 Contract costs

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

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained, e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalised when incurred if the costs are expected to be recovered, unless the expected amortisation period is one year or less from the date of initial recognition of the asset, in which case the costs are expensed when incurred. Other costs of obtaining a contract are expensed when incurred.

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

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

Amortisation of capitalised contract costs is charged to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate.

2.10 Contract assets and contract liabilities

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

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The Group provides subscriber points reward program, the transaction price of providing telecommunications services and the subscriber points reward is allocated based on their standalone selling price. The allocated portion of transaction price for the subscriber points reward is recorded as contract liability when the rewards are granted and recognised as revenue when the points are redeemed or expired.

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

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2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.11 Other assets

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

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

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

2.12 Financial assets and financial liabilities

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

Financial assets measured at amortised cost

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

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

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

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

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

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. Gains and losses arising from derecognition of financial assets, being the differences between the net sales proceeds and the carrying values, are recognised in the consolidated statement of income.

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.12 Financial assets and financial liabilities (Continued)

Financial assets measured at fair value

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

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

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

Financial liabilities

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

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

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

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset as a net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.13 Impairment of non-financial assets other than goodwill

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

2.14 Credit losses from financial instruments and contract assets

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

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

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

— debt securities measured at FVOCI (recycling).

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

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

Measurement of ECLs

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

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

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

ECLs are measured on either of the following bases:

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

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

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

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

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2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

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

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

— failure to make payments of principal or interest on their contractually due dates;

— an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

— an actual or expected significant deterioration in the operating results of the debtor; and

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

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

Credit-impaired financial assets

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

— significant financial difficulties of the debtor;

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

— the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

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

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

Write-off policy

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in the consolidated statement of income.

2.15 Inventories

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

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2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.16 Accounts receivable

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

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

2.17 Short-term bank deposits and restricted deposits

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

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

2.18 Cash and cash equivalents

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

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

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

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

2.19 Government grants

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.20 Borrowings

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

2.21 Share capital

Ordinary shares are classified as equity.

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

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

2.22 Employee benefits

(a) Retirement benefits

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

(b) Medical insurance

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

(c) Housing benefits

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

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

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2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.22 Employee benefits (Continued)

(d) Supplementary benefits

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

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

(e) Share-based compensation costs

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.22 Employee benefits (Continued)

(f) Restricted A-Share Incentive Scheme

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

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

2.23 Accounts payable

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

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

2.24 Provisions

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.25 Revenue recognition

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

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

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same. For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.25 Revenue recognition (Continued)

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

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For the year ended 31 December 2024
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2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.25 Revenue recognition (Continued)

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

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

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

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

2.26 Interest income

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

2.27 Dividend income

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.28 Lease

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

(a) As a lessee

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

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

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

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

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

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2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.28 Lease (Continued)

(a) As a lessee (Continued)

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

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets.

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

(b) As a lessor

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

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.29 Borrowing costs

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

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

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

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2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.30 Taxation

(a) Current income tax

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

(b) Deferred income tax

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.30 Taxation (Continued)

(b) Deferred income tax (Continued)

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

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

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

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

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

2.31 Dividend distribution

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

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2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.32 Research and development expenditure

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

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

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

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

2.33 Earnings per Share

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.34 Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

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

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

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

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

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

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

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2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.35 Contingent assets/liabilities

Contingent assets

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

Contingent liabilities

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

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

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

3. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

3.1 Financial risk factors

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

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

(a) Market risk

(i) Foreign exchange risk

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

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

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

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

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

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

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

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

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

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

(ii) Price risk

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

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

(iii) Cash flow and fair value interest rate risk

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

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

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

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

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

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

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

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

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents and bank deposits with banks, as well as credit exposures to major corporate customers, individual subscribers and general corporate customers, related parties and other telecommunications operators.

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

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

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

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

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

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

3.1 Financial risk factors (Continued)

(c) Liquidity risk

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

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

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

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

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

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

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

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

3.2 Capital risk management

The Group's objectives when managing capital are:

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

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

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

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

3.2 Capital risk management (Continued)

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

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

3.3 Fair value estimation

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

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

3.3 Fair value estimation (Continued)

(a) Financial assets measured at fair value

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

- Level 1 valuation: unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuation: observable inputs which fail to meet Level 1, and not using significant unobservable inputs for which market data are not available.

- Level 3 valuation: fair value measured using significant unobservable inputs.

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

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

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

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

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

3.3 Fair value estimation (Continued)

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

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

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

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

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

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

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

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

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4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

4.1 Depreciation on property, plant and equipment

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

4.2 Impairment of goodwill and long-lived assets

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

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

4.3 Allowance for ECLs

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

5. SEGMENT INFORMATION

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

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

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

6. REVENUE

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

Disaggregation of revenue by major services and products:

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

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6. REVENUE (Continued)

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

7. NETWORK, OPERATION AND SUPPORT EXPENSES

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

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

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

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

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

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

8. EMPLOYEE BENEFIT EXPENSES

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

8.1 Directors' emoluments

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

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

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8. EMPLOYEE BENEFIT EXPENSES (Continued)

8.1 Directors' emoluments (Continued)

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

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

Notes:

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

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

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

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

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

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

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

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

8. EMPLOYEE BENEFIT EXPENSES (Continued)

8.2 Senior management's emoluments

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

8.3 Five highest paid individuals

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

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

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

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

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9. COSTS OF TELECOMMUNICATIONS PRODUCTS SOLD

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

10. OTHER OPERATING EXPENSES

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

11. FINANCE COSTS

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

12. OTHER INCOME — NET

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

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13. TAXATION

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

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

13. TAXATION (Continued)

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(All amounts in RMB millions unless otherwise stated)

13. TAXATION (Continued)

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

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

13. TAXATION (Continued)

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

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

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

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

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14. EARNINGS PER SHARE

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

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

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

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

15. PROPERTY, PLANT AND EQUIPMENT

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

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

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15. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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

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

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

16. RIGHT-OF-USE ASSETS

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

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16. RIGHT-OF-USE ASSETS (Continued)

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

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

17. GOODWILL

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

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

18. INVESTMENTS IN SUBSIDIARIES

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

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

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18. INVESTMENTS IN SUBSIDIARIES (Continued)

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

18. INVESTMENTS IN SUBSIDIARIES (Continued)

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

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18. INVESTMENTS IN SUBSIDIARIES (Continued)

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

18. INVESTMENTS IN SUBSIDIARIES (Continued)

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

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18. INVESTMENTS IN SUBSIDIARIES (Continued)

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

18. INVESTMENTS IN SUBSIDIARIES (Continued)

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

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18. INVESTMENTS IN SUBSIDIARIES (Continued)

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

18. INVESTMENTS IN SUBSIDIARIES (Continued)

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

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18. INVESTMENTS IN SUBSIDIARIES (Continued)

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

18. INVESTMENTS IN SUBSIDIARIES (Continued)

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

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

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

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19. INTEREST IN ASSOCIATES

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

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

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

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

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

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

19. INTEREST IN ASSOCIATES (Continued)

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

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

Aggregate information of associates that are not individually material:

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

20. INTEREST IN JOINT VENTURES

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

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

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

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20. INTEREST IN JOINT VENTURES (Continued)

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

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

Aggregate information of joint ventures that are not individually material:

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

21. CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

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

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

(b) Contract liabilities

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

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

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22. CONTRACT COSTS

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

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

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

23. FINANCIAL ASSETS MEASURED AT FAIR VALUE

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

23. FINANCIAL ASSETS MEASURED AT FAIR VALUE (Continued)

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

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

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

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

24. SHORT-TERM BANK DEPOSITS AND RESTRICTED DEPOSITS

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

25. OTHER ASSETS

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

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25. OTHER ASSETS (Continued)

(i) Intangible assets

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

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

26. INVENTORIES

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

27. ACCOUNTS RECEIVABLE

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

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

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

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

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

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

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27. ACCOUNTS RECEIVABLE (Continued)

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

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

For individual subscribers and general corporate customers

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

For major corporate customers

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

27. ACCOUNTS RECEIVABLE (Continued)

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

For individual subscribers and general corporate customers

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

For major corporate customers

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

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

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27. ACCOUNTS RECEIVABLE (Continued)

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

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

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

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

28. PREPAYMENTS AND OTHER CURRENT ASSETS

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

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

28. PREPAYMENTS AND OTHER CURRENT ASSETS (Continued)

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

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

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

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

29. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents

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

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

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

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

(b) Reconciliation of liabilities arising from financing activities

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

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

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

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

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

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30. SHARE CAPITAL

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

31. RESERVES

(a) Movement in components of equity

The Company

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

(b) Nature and purpose

(i) Statutory reserves

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

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

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

31. RESERVES (Continued)

(b) Nature and purpose (Continued)

(i) Statutory reserves (Continued)

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

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

(ii) General risk reserve

CUCL and Unicom Group established the Finance Company to provide certain financial services. Pursuant to “Requirements on Impairment Allowance for Financial Institutions” (Caijin [2012] No. 20) issued by the MOF which is effective on 1 July 2012 (the “Document”), the Finance Company establishes a general risk reserve within the shareholders’ equity, through appropriation of retained profits, to address unidentified potential losses relating to risk assets. The general risk reserve balance should not be less than 1.5% of the ending balance of risk assets, as defined in the Document.

(iii) Investment revaluation reserve

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

(iv) Other reserves

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

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32. DIVIDENDS

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

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

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

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

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

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

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

33. LONG-TERM BANK LOANS

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

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

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

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

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34. LEASE LIABILITIES

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

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

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

35. DEFERRED REVENUE

Deferred revenue mainly represents the unamortised portion of government grants.

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

36. OTHER OBLIGATIONS

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

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36. OTHER OBLIGATIONS (Continued)

(a) One-off cash housing subsidies

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

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

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

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

37. SHORT-TERM BANK LOANS

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

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

38. COMMERCIAL PAPERS

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

39. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

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

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

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

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

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

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

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

41. EQUITY-SETTLED SHARE OPTION SCHEMES

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

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

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

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

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

42. RESTRICTED A-SHARE INCENTIVE SCHEME

The Phase I Restricted A-Share Incentive Scheme

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

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

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

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

The Phase II Restricted A-Share Incentive Scheme

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

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42. RESTRICTED A-SHARE INCENTIVE SCHEME (Continued)

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

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

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

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

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

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

43. MATERIAL RELATED PARTY TRANSACTIONS

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

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

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

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

43. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

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

(a) Recurring transactions

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

The following transactions with Unicom Group and its subsidiaries constitute continuing connected transactions under the Listing Rules. The Company has complied with the relevant disclosure requirements under Chapter 14A of the Listing Rules. Further details of these continuing connected transactions are disclosed under the paragraph "Continuing Connected Transactions" in the Report of Directors.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(All amounts in RMB millions unless otherwise stated)

43. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

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

(a) Recurring transactions (Continued)

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

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

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

43. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

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

(a) Recurring transactions (Continued)

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(All amounts in RMB millions unless otherwise stated)

43. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

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

(a) Recurring transactions (Continued)

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

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

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

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

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

For the deposit services from Finance Company to Unicom Group and its subsidiaries, the maximum and minimum deposit interest rates will follow the provisions of the PBOC for deposits of the same period and the same type, and be determined with reference to the interest rate for the same period and same type of deposit offered to Unicom Group by the major cooperative commercial banks of Unicom Group and/or offered by Finance Company to other client. These transactions are conducted on normal commercial terms or better and are fully exempted from compliance with the reporting, announcement, independent shareholders' approval and/or annual review requirements under Rules 14A.90 of the Listing Rules.

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

43. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

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

(a) Recurring transactions (Continued)

(xii) These transactions are related to the unsecured entrusted loans and related interest expenses from Unicom Group and its subsidiaries (see note 43.1 (c)). These transactions are conducted on normal commercial terms or better and are fully exempted from compliance with the reporting, announcement, independent shareholders' approval and/or annual review requirements under Rules 14A.90 of the Listing Rules.

(b) Amounts due from Unicom Group and its subsidiaries

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

(c) Amounts due to Unicom Group and its subsidiaries

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

43. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

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

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

The following transactions with associates and joint ventures of Unicom Group and its subsidiaries constitute continuing connected transactions under the Listing Rules, unless otherwise stated. The Company has complied with the relevant disclosure requirements under Chapter 14A of the Listing Rules. Further details of these continuing connected transactions are disclosed under the paragraph "Continuing Connected Transactions" in the Report of Directors.

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

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

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

43. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

43.3 Material transactions with associates and joint ventures of the Group

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

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

(i) Engineering design and construction services

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

43. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

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

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

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

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

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

(iii) Amounts due to Tower Company

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

44. CONTINGENCIES AND COMMITMENTS

44.1 Capital commitments

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

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

44.2 Legal contingencies

The Group is a defendant in certain lawsuits as well as the named party in other proceedings arising in the ordinary course of business. Management has assessed the likelihood of an unfavourable outcome of such contingencies, lawsuits or other proceedings and based on such assessment, believes that any resulting liabilities will not have a material adverse effect on the financial position, operating results or cash flows of the Group.

45. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Chen Zhongyue
Chairman and Chief Executive Officer

Li Yuzhuo
Executive Director and Chief Financial Officer

46. NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

Proposed final dividend

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

47. APPROVAL OF FINANCIAL STATEMENTS

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

FINANCIAL SUMMARY

For the five-year ended 31 December 2024
(All amounts in RMB millions, except per share data)

Selected financial summary for 2020 to 2024, including selected consolidated statement of income data and consolidated statement of financial position data for 2020, 2021, 2022, 2023 and 2024 were prepared in accordance with HKFRSs.

RESULTS

Selected Statement of Income Data

	2024	2023	2022	2021	2020
Revenue	**389,589**	372,597	354,944	327,854	303,838
Interconnection charges	**(11,224)**	(11,294)	(10,947)	(11,557)	(10,574)
Depreciation and amortisation	**(83,392)**	(84,847)	(86,829)	(85,652)	(83,017)
Network, operation and support expenses	**(64,320)**	(60,026)	(56,425)	(53,087)	(46,286)
Employee benefit expenses	**(64,931)**	(62,939)	(60,726)	(58,944)	(55,740)
Costs of telecommunications products sold	**(42,466)**	(36,403)	(34,720)	(30,683)	(26,862)
Other operating expenses	**(107,223)**	(102,123)	(92,957)	(77,263)	(70,237)
Finance costs	**(1,784)**	(1,981)	(1,095)	(1,385)	(1,747)
Interest income	**1,981**	2,105	1,747	1,215	1,366
Share of net profit of associates	**2,592**	2,519	2,153	1,862	1,588
Share of net profit of joint ventures	**1,481**	1,803	1,593	1,448	787
Other income — net	**4,951**	3,534	3,850	4,119	2,911
Profit before income tax	**25,254**	22,945	20,588	17,927	16,027
Income tax expenses	**(4,521)**	(4,023)	(3,751)	(3,420)	(3,450)
Profit for the year	**20,733**	18,922	16,837	14,507	12,577
Profit attributable to:					
Equity shareholders of the Company	**20,613**	18,726	16,745	14,368	12,493
Non-controlling interests	**120**	196	92	139	84
Profit for the year	**20,733**	18,922	16,837	14,507	12,577
Earnings per share for profit attributable to equity shareholders of the Company during the year:					
Basic earnings per share (RMB)	**0.67**	0.61	0.55	0.47	0.41
Diluted earnings per share (RMB)	**0.67**	0.61	0.55	0.47	0.41

RESULTS (Continued)

Selected Statement of Financial Position Data

	2024	2023	2022	2021	2020
Property, plant and equipment	**351,530**	355,995	352,433	355,031	364,187
Right-of-use assets	**47,522**	52,608	59,227	32,866	37,960
Financial assets measured at fair value	**13,817**	29,645	23,702	32,726	27,682
Long-term bank deposits	**15,185**	—	—	—	—
Cash and cash equivalents	**28,480**	47,733	55,297	34,280	23,085
Other current asset	**121,170**	85,940	71,353	62,937	61,362
Other non-current asset	**93,533**	89,130	80,651	73,236	66,340
Total assets	**671,237**	661,051	642,663	591,076	580,616
Short-term bank loans	**711**	681	331	385	740
Commercial papers	**—**	—	5,025	6,875	7,000
Long-term bank loans	**1,413**	1,606	1,896	2,207	2,900
Lease liabilities	**37,641**	43,257	48,924	22,559	27,961
Other current liabilities	**256,299**	249,977	232,651	216,409	202,367
Other non-current liabilities	**11,603**	11,632	10,300	9,208	12,128
Total liabilities	**307,667**	307,153	299,127	257,643	253,096
Total equity	**363,570**	353,898	343,536	333,433	327,520

CORPORATE INFORMATION

BOARD OF DIRECTORS (As At 18 March 2025)

Executive Directors

Chen Zhongyue *Executive Director, Chairman and Chief Executive Officer*
Jian Qin *Executive Director and President*
Wang Junzhi *Executive Director*
Li Yuzhuo *Executive Director and Chief Financial Officer*

Independent Non-Executive Directors

Cheung Wing Lam Linus
Chung Shui Ming Timpson
Law Fan Chiu Fun Fanny
Fan Chun Wah Andrew

Audit Committee

Chung Shui Ming Timpson *(Chairman)*
Cheung Wing Lam Linus
Law Fan Chiu Fun Fanny
Fan Chun Wah Andrew

Remuneration Committee

Cheung Wing Lam Linus *(Chairman)*
Chung Shui Ming Timpson
Fan Chun Wah Andrew

Nomination Committee

Chung Shui Ming Timpson *(Chairman)*
Chen Zhongyue
Law Fan Chiu Fun Fanny

COMPANY SECRETARY

Chan Ngar Wai

AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

LEGAL ADVISORS

Freshfields Bruckhaus Deringer

REGISTERED OFFICE

75th Floor,
The Center, 99 Queen's Road Central,
Hong Kong
Tel: (852) 2126 2018

MAJOR SUBSIDIARY

China United Network Communications Corporation Limited
No. 21 Financial Street,
Xicheng District, Beijing 100033, P.R.C.

SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716,
17th Floor, Hopewell Centre,
183 Queen's Road East,
Wanchai, Hong Kong
Tel: (852) 2862 8555
Fax: (852) 2865 0990
Website: www.computershare.com/hk/contact

PUBLICATIONS

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

STOCK CODE

Hong Kong Stock Exchange: 762

COMPANY WEBSITE

www.chinaunicom.com.hk

CORPORATE CULTURE

OUR STRATEGY

Aim for the vision of becoming a world-class technology service enterprise with global competitiveness, fully implement the integrated innovation strategy

OUR VISION

Accelerate to become a world-class technology service enterprise with global competitiveness

OUR MISSION

The leading contributor of digital information operation and services
The pioneer of digital technology integration and innovation

OUR CORE VALUES

Customer-oriented
Inherently innovative
Employee-friendly
Proud of endeavours
Attentive to quality service
Adhering to integrity

CORPORATE STYLE

Rigorous, Pragmatic, Skillful, Meticulous, Efficient

OPERATION AND MANAGEMENT PHILOSOPHIES

Create value for customers
Driven by both market and innovation
One China Unicom with integrated capabilities and operating services

CHINA UNICOM (HONG KONG) LIMITED

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

Tel : (852) 2126 2018 Fax : (852) 2126 2016

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