China Unicom (Europe) Operations Limited

Annual report and financial statements

Registered number 5992614

31 December 2022

Contents

Strategic Report

Principal activities

The principal activity of the Company during the year was the provision of business connectivity, information and communication technology services (ICT services), cloud services and other telecommunication services to customers in various countries. We have registered branch offices in Germany, Switzerland, France, the Netherlands, Austria and Romania to further expand our footprint across Europe.

During 2022, the Company has increased its capital expenditure to further improve its network layout by establishing more Points of Presence ("POPs") in Europe.

Results and dividends

During the year, the Company's turnover increased to £64,415,217 (2021: £51,199,074), operating profit is £2,265,393 (2021: £4,507,612).

Net profit for the financial year increased to £ 3,864,906 (2021: £3,742,638). No interim or final dividends were paid or proposed (2021: £ nil).

Section 172(1) statement

The Board of the Company considers the directors have adhered to the requirements of Section 172 of the Companies Act 2006 (the "Act") and have in good faith acted in a way that they consider would be most likely to promote the success of the Company for the benefit of its members as a whole and, in doing so, have had regard to and recognised importance of considering interests of all stakeholders in their decision making, including the following:

- The likely consequences of any decision in the long term;
- The interests of the Company's employees;
- The need to foster the Company's business relationships, customers and others;
- The impact of the Company's operations on the community and the environment;
- The desirability of the Company maintaining a reputation for high standards of business conduct; and
- The need to act fairly between members of the Company.

In order to fulfil their duties the directors have regard to the likely consequences of the decisions and actions which they take for all stakeholders. Where possible, decisions are carefully discussed with affected groups and are therefore fully understood and supported.

Reports are regularly made to the Board about the operations, business strategy, performance and key decisions, providing the Board with assurance that proper consideration is given to stakeholders' interests in decision-making. Key stakeholders' engagements undertaken by the Board during the year were as follows:

Shareholders
The Company is wholly owned by China Unicom Global Limited ("CUG"). We rely on its support and its opinions are important to our decision-making. Discussions with CUG cover a wide range of topics including financial performance, internal control, risk management, strategy, outlook, human resources, corporate governance and ethical practices.

Employees
The directors recognise that employees are fundamental and core to our business, to maintain a strong reputation for high standards of business conduct and to deliver our strategic ambitions. The success of our business depends on attracting, retaining and motivating employees.

Strategic Report (continued)

Section 172(1) statement (continued)

The Company is committed to provide equal opportunities for all and a workplace free from harassment and discrimination. The Company selects, recruits, employs and promotes staff based on the abilities of the individual regardless of sex, age, race, disability, ethnic origin or religion. To ensure that the Company remains a responsible employer, from pay and benefits to a healthy and safe workplace environment, the Directors factor the implications of decisions on employees and the wider workforce, where relevant and feasible.

With the aim of promoting knowledge sharing and dissemination and enhancing professional skills so as to meet business development needs, different learning and development programs are provided to employees. These include Leadership training, compliance training (i.e. General Data Protection Regulation, Non-Disclosure Agreements, etc.), technical training, sales enhancement training, e-learning platform and soft skills trainings, etc. Employee engagement and satisfaction is measured through a global survey periodically.

Suppliers
The Company relies on its suppliers, contractors, industry peers to provide quality goods and services in order to maintain the highest standards of operation, safety and reliability in meeting the needs of its customers. The Company is committed to having professional and ethical relationships with them and clearly articulates its stance on anti-corruption, anti-bribery, and modern slavery with all of its suppliers, and requires that the highest standards of ethics are met. The Company follows the policies on procurement and is in compliance with local laws and regulations. Procurement Committee takes place regularly to review and approve suppliers to ensure fair process with respect to tendering of contracts and engaging with new suppliers is followed.

Customers
The Company is dedicated to maintaining a professional and ethical relationship with all of its customers and clear on its stance against corruption, bribery and modern slavery. There is regular communication between the Company and its customers through both formal and informal channels to understand their evolving needs, so the Company can constantly refine, improve and adapt to meet them. The Company strives to better serve the customers so as to achieve its business strategy and goals.

Local community
The Company is fully aware that a world-class enterprise requires world-class social responsibility. Contributing positively to wider society enables the Company to create stronger communities and have a positive environmental impact. Adhering to the people-centred development philosophy, the Company strives to become a world-class enterprise and a model of sustainability of leveraging our business expertise and resource endowment, promote the integration of sustainability into our business strategy, contributing to creating a better life for mankind with our tireless efforts.

Future developments

The Company seeks to develop its existing business connectivity, ICT services, cloud services and other telecommunication related services, adding new products to the portfolio.

The Company will continue to focus on providing fast and reliable service to clients by setting up an improved network layout, extending the capacity of our existing Point of Presence ("POPs") and also construct more POPs across Europe.

The Company will also expand its footprint in Europe to become a more competitive player in the telecommunication market and increase its market share through cooperation with business partners in other European countries.

Post balance sheet events

There have been no circumstances or events subsequent to the year which require adjustment of or disclosure in the financial statement or in the notes there to.

Strategic Report (continued)

Key performance indicators

The directors consider the key performance indicators to be revenue, operating profit, profit before tax and capital expenditure, as well as focusing on developing innovative products, expending network covered area and enhancing its stability. Management is assessed against these key performance indicators by its parent company in Hong Kong.

	2022	2021	change
	£	£	%
Revenue	**64,415,217**	51,199,074	26%
Operating profit	**2,265,393**	4,507,612	(50%)
Profit before tax	**4,993,877**	4,618,944	8%
Capital expenditure (including acquisition of tangible and intangible assets, and indefeasible rights of use)	**13,631,418**	13,111,853	4%

Principal risks and uncertainties

The management of the Company and the execution of the Company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the Company are considered to relate to competition from both United Kingdom ('UK') and overseas service providers. The risks also include the decrease of consumer demand influenced by global economic uncertainty and the decrease of service price incurred by competition.

Ukraine conflict risk

Russia's conflict in Ukraine has caused supply shocks in energy, food and other commodities markets, worsened inflation, increased cybersecurity risks, increased the risk of recession in Europe and heightened geopolitical tensions. Actions by Russia and any further measures taken by the U.S. or its allies could continue to have negative impacts on regional and global energy and other commodities and financial markets and macroeconomic conditions, adversely impacting jurisdictions where China Unicom operates and China Unicom's customers, clients and employees. China Unicom's ability to continue to reduce its operations and exposure in Russia, including cessation of business with certain consumers and suppliers, may be negatively impacted by macroeconomic challenges and uncertainties, local market conditions, and sanctions and other governmental regulations or actions.

Cyber risk

China Unicom as a telecom service provider is an attractive target for cybercriminals due to the vast amount of customer data the Company processes and the potential to disrupt communication networks. To avoid the threats, the Company regularly assesses vulnerabilities in its IT systems, networks, and applications. The Company complies with GDPR, ensuring that customer data is handled securely, and proper consent is obtained for data usage. Incident Response Plan and employee training have also been in place to prevent the potential risk.

Regulatory risk

China Unicom as a telecom service provider, exposed to regulatory risks, including licensing, consumer protection, competition and market regulations, data retention and surveillance laws, cross-border regulations, etc. The Company conducts regular risk assessments to identify potential compliance gaps. China Unicom developed a comprehensive compliance framework that outlines the relevant regulations and the company's strategies for adhering to them. The company also maintain open communication with regulatory bodies to stay informed about evolving requirements and to proactively address any concerns.

Strategic Report (continued)

Financial risk management

Cash flow and foreign exchange risk
The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US dollars, Euros, CHF, RMB and HK dollars. The amount of monetary assets and liabilities denominated in foreign currencies is monitored to minimise the risk.

The Company is part of a cash pooling group treasury process where operating cash flows are swept to head accounts held by China Unicom Global Limited based in Hong Kong. These advances are being kept in the bank in cash to earn interest.

Credit risk
The Company puts great focus in evaluating credit rating of its customers. Most of the current clients are reputable telecom operators with good credit ratings, all customers' creditworthiness is assessed before sales are made.

The Company has the right to terminate the services to telecom operators and enterprises if payments become overdue.

Liquidity risk
The Company has established an appropriate liquidity risk management framework for the management of the company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. The parent company, China Unicom Global Ltd., committed to providing sufficient financial support to China Unicom (Europe) Operations Ltd to ensure that the Company's liabilities are timely discharged in the normal course of business.

Stakeholder engagement

At China Unicom (Europe) Operations Ltd, we recognize that our success is intrinsically tied to the support and collaboration of our diverse stakeholders. We are committed to fostering open and meaningful relationships with all those who are impacted by our operations. Our stakeholder engagement approach is driven by the principles of transparency, accountability, and mutual benefit.

Customers
We value our customers' trust and satisfaction as paramount. We are dedicated to delivering high-quality telecommunications services that cater to their evolving needs. Regular feedback mechanisms and surveys guide our efforts to improve our offerings and provide an exceptional customer experience.

Employees
Our employees are the cornerstone of our operations. We are dedicated to providing a safe and inclusive workplace where diversity is celebrated, and everyone's contributions are valued. The Group's employment policy is to provide equal opportunity to all current and prospective employees without any discrimination. We invest in their professional growth, well-being, and a positive work environment. The Company provides work environment in which all individuals are treated with respect and dignity.

Regulators and government authorities
We adhere to all regulatory requirements and maintain open lines of communication with relevant authorities. Our operations align with local laws and contribute to the development of the telecommunications sector within the regions we serve.

Strategic Report (continued)

Stakeholder engagement (continued)

Suppliers and partners
We nurture partnerships that drive innovation, enhance service quality, and uphold ethical business practices. Our suppliers and partners are integral to our success, and we work collaboratively to ensure mutual growth.

Competitors
At China Unicom (Europe) Operations Ltd, we recognize the significant role that our competitors play in shaping the telecommunications landscape. As we operate in a dynamic and competitive industry, we approach our relationships with competitors with respect and a commitment to fair business practices. Our engagement with competitors is guided by principles that foster healthy competition, collaboration where appropriate, and the pursuit of excellence in serving our customers.

By order of the board

薛文霞

Man Ha Sit

Director

Level 19
40 Bank Street
Canary Wharf
London
E14 5NR

21 December 2023

Directors' Report

The directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2022.

Future developments and events after the balance sheet date

We keep focusing on providing fast and reliable service to clients by setting up an improved network layout, extending the capacity of our existing POPs. We continue developing new business portfolio and further building up our talented team.

Directors

The composition of the Board of Directors of the Company during the year ended 31 December 2022 and up to the date of this report was as follows:
Ms. Man Ha Sit
Mr. Chang Liu
Mr. Xiaoxian Li (appointed 31 January 2023)
Mr. Guohua Liu (appointed 31 January 2023)
Mr. Chaojun Song (appointed 31 January 2023)
Mr. Tao Qiu (resigned 31 January 2023)

Directors' indemnity

The Company does not have indemnity provisions in place for the benefit of its directors.

Political contributions

The Company made no political donations or incurred any political expenditure during the year.

UK Streamlined Energy and Carbon Reporting ('SECR')

In accordance with SECR requirements, the table below provides a summary of GHG emissions and energy data for the Company in the UK during the year ending 31 December 2022:

	2022	2021
GHG emissions (Scope 1&2) (tonnes CO_2e)	**47.71**	56.21
Total energy consumption (kWh)	**223,830**	240,149
Intensity (tCO_2e/employee)	**0.63**	0.91

Reporting boundary and methodology
The emissions have been calculated based on the kWh of electricity purchased for own use based on 'Greenhouse gas reporting: conversion factors' from Department for Business, Energy and Industrial Strategy of the UK government.

Going concern

The financial statements have been prepared on a going concern basis, which the directors consider to be appropriate for the following reasons:

The Company continues to trade profitably and based on the latest results for the current year it continues to grow. Profit margins are in line with targets for the year and the expectation is these will continue during 2024.

As of 31 December 2022, the Company held cash of £0.62 million and a balance of £20.55 million in China Unicom Global Limited's cash pooling account following the Group's policy as described below.

Directors' Report (continued)

Going concern (continued)

The Company is part of a cash pooling group treasury process, where operating cash flows are swept to head accounts held by China Unicom Global Limited based in Hong Kong. These advances are being kept in the bank in the form of cash to earn interest. In the event that cash is required by the Company, the directors are able to draw on cash with seven (7) days' notice. China Unicom Global Limited has given a written confirmation to the directors that it has no intention of making any amendments to the cash pooling contract for at least twelve (12) months from the date approval for these financial statements. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he/ she ought to have taken as a director to make himself/ herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Deloitte LLP will therefore continue in office.

By order of the board

薛文霞

Man Ha Sit
Director

Level 19
40 Bank Street
Canary Wharf
London
E14 5NR

21 December 2023

Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report to the Members of China Unicom (Europe) Operations Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of China Unicom (Europe) Operations Limited (the 'company'):
- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, which comprise:
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 17.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Independent Auditor's Report to the Members of China Unicom (Europe) Operations Limited (continued)

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company'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 company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) 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 financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team, regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

Independent Auditor's Report to the Members of China Unicom (Europe) Operations Limited (continued)

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

As a result of performing the above, we identified the greatest potential for fraud in respect of recognising non-group (inbound) revenue in the appropriate reporting period. Our procedures performed to address this risk included selecting a sample of inbound revenue recorded in December 2022 and January 2023, and checking whether the selected transactions have been recorded in the correct period.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC and regulatory authorities.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Independent Auditor's Report to the Members of China Unicom (Europe) Operations Limited (continued)

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
Mikhail Raikhman
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Mikhail Raikhman (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
21 December 2023

Statement of Comprehensive Income
for the year ended 31 December 2022

	Note	2022	2021
		£	£
Turnover	2	**64,415,217**	51,199,074
Cost of sales		**(57,268,947)**	(43,634,610)
Gross profit		**7,146,270**	7,564,464
Distribution costs		**(443,793)**	(140,355)
Administrative expenses		**(4,437,084)**	(2,916,497)
Operating profit		**2,265,393**	4,507,612
Other interest receivable and similar income	6	**2,830,386**	178,001
Interest payable and similar expenses	7	**(101,902)**	(66,669)
Profit before taxation		**4,993,877**	4,618,944
Tax on profit	8	**(1,128,971)**	(876,306)
Profit for the financial year		**3,864,906**	3,742,638
Total comprehensive income for the year		**3,864,906**	3,742,638

All activities are from continuing operations.

There is no comprehensive income attributable to the shareholders of the Company other than the profit for the year.

The notes on pages 16 to 25 are integral to the financial statements.

Balance Sheet
As at 31 December 2022

	Note	2022	2021
		£	**£**
Fixed assets			
Intangible assets	9	**335,554**	6,019
Tangible assets	10	**9,477,410**	5,720,447
Indefeasible rights of use	11	**18,815,065**	15,270,778
Investment	12	**17,495**	1
		28,645,524	20,997,245
Current assets			
Debtors	13	**52,047,161**	40,058,065
Inventory		**3,695**	-
Cash		**617,356**	1,413,333
		52,668,212	41,471,398
Creditors: amounts falling due within one year	14	**(56,794,718)**	(42,943,263)
Net current liabilities		**(4,126,506)**	(1,471,865)
Total assets less current liabilities		**24,519,018**	19,525,380
Deferred tax liability	15	**(1,849,227)**	(720,495)
Net assets		**22,669,791**	18,804,885
Capital and reserves			
Called-up share capital	16	**4,861,000**	4,861,000
Profit and loss account		**17,808,791**	13,943,885
Shareholders' funds		**22,669,791**	18,804,885

These financial statements were approved by the board of directors on 21 December 2023 and were signed on its behalf by:

Man Ha Sit
Director

Company registered number: 5992614

The notes on pages 16 to 25 are integral to the financial statements.

Statement of Changes in Equity

	Called-up share capital	Profit and loss account	Total equity
	£	£	£
Balance at 1 January 2021	4,861,000	10,201,247	15,062,247
Total comprehensive income for the year			
Profit for the year	-	3,742,638	3,742,638
Balance at 31 December 2021	**4,861,000**	**13,943,885**	**18,804,885**
Total comprehensive income for the year			
Profit for the year	-	**3,864,906**	**3,864,906**
Balance at 31 December 2022	**4,861,000**	**17,808,791**	**22,669,791**

The notes on pages 16 to 25 are integral to the financial statements.

Notes

1 Accounting policies

China Unicom (Europe) Operations Limited (the "Company") is a private company, incorporated, domiciled and registered in England and Wales. The registered number is 5992614 and the registered address is Level 19, 40 Bank Street, Canary Wharf, London, E14 5NR.

These financial statements were prepared in accordance with Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"). The presentation and functional currency of these financial statements is pounds sterling.

The Company's parent undertaking, China Unicom Global Limited includes the Company in its consolidated financial statements. The consolidated financial statements of China Unicom Global Limited are prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB") and are available to the public and may be obtained from the address in note 17. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of FRS 102) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Cash flow statement and related notes; and
- Key management personnel compensation.

As the consolidated financial statements of China Unicom Global Limited include the disclosures equivalent to those required by FRS 102, the Company has also taken the exemptions available in respect of the following disclosures:

- Certain disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The financial statements are prepared on the historical cost basis.

Going concern

The financial statements have been prepared on a going concern basis, which the directors consider to be appropriate for the following reasons:

The Company continues to trade profitably and based on the latest results for the current year it continues to grow. Profit margins are in line with targets for the year and the expectation is these will continue during 2024.

As of 31 December 2022, the Company held cash of £0.62 million and a balance of £20.55 million in China Unicom Global Limited's cash pooling account following the Group's policy as described below.

The Company is part of a cash pooling group treasury process where operating cash flows are swept to head accounts held by China Unicom Global Limited based in Hong Kong. These advances are being kept in the bank in the form of cash to earn interest. In the event that cash is required by the Company, the directors are able to draw on cash with seven (7) days' notice. China Unicom Global Limited has given a written confirmation to the directors that it has no intention of making any amendments to the cash pooling contract for at least twelve (12) months from the date approval for these financial statements. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Notes *(continued)*

1 Accounting policies *(continued)*

Critical accounting judgments and key sources of estimation uncertainty

Preparing the financial statements, management makes judgements, estimates and assumptions affecting the reported amounts of assets, liabilities, revenues and expenses. Actual outcomes could differ from the estimates and assumptions used. The underlying estimates and assumptions are reviewed on an ongoing basis.

The directors are of a view there were no critical accounting judgements or key sources of estimation uncertainty that would have a significant impact on the amounts recognised in the financial statements or create a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors.

Cash

Cash comprises cash balances and call deposits.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. The Company assesses at each reporting date whether tangible fixed assets have impairment indicators.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each asset. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

- Network equipment 5 to 10 years
- Office equipment 5 to 10 years
- Lease improvements the shorter of the lease term or estimated useful life.

Assets under construction are not depreciated until completed and ready for use.

Indefeasible rights of use

Indefeasible rights of use (IRUs) are long-term prepayments for services recorded in fixed assets and amortised to the profit and loss account on a straight-line basis over the prepayment term. The Company assesses at each reporting date whether IRUs' carrying value is not exceeding their recoverable amount.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. The Company assesses at each reporting date whether intangible assets have impairment indicators.

Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each asset. Software assets are depreciated over the shorter of valid licence term or estimated useful life.

Notes *(continued)*

1 Accounting policies *(continued)*

Inventory

Inventory are stated at purchase cost less the write-down to net realisable value. All inventory booked as at 31 December 2022 are finished goods held for marketing purpose. Expense is charged to the profit and loss account when the goods have been used. The Company assesses at each reporting date whether inventory is impaired.

Turnover

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for the goods sold and services provided, stated net of discounts, returns and valued added taxes. The Company recognises revenue when the amount of revenue can be reliably measured: when it is probable that future economic benefits will flow to the Company; and when specific criteria have been met for each of the Company's activities, as described below. The Company bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Sales of services

The Company provides data and information communication technology services ("ICT") to customers. Revenue is recognised when the customer has accepted the services in accordance with the sales contract, the acceptance provision have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

(ii) Sales of goods

Revenue is recognised when control over the goods has been transferred, being at the point the goods are delivered to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery occurs when the goods have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the goods in accordance with the sales contract, the acceptance provision have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

Leases

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Interest income and expense

Interest income and expenses include interest receivables/payable, unwinding of discounts on provisions and leases, and net foreign exchange gains/losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Interest income and interest expense are recognised in profit or loss as they accrue, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax assets are recognised only to the extent that it is probable that they will recover against the reversal of deferred tax liabilities or future taxable profits.

Notes *(continued)*

1 Accounting policies *(continued)*

***Taxation** (continued)*

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date.

Provisions for liabilities

A provision is recognised in the balance sheet when the entity has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Impairment

Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Fixed assets

The carrying amounts of the Company's fixed assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised is reversed only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Reclassifications

The Company has a number of IRU contracts held either for onward sale of capacity or for use in the delivery of services to the Company's customers. In prior years, the IRU contracts have been classified within tangible fixed assets. In 2022, the Company has concluded that IRUs represent a separate class of fixed assets (long-term prepayments for services) and presented them separately from tangible fixed assets. The respective prior year figures have been reclassified to conform to the 2022 presentation. This had no impact on the profit and loss for the year or net assets as at the year end.

Notes *(continued)*

2 Turnover

	2022	2021
	£	£
By geographical market		
UK	**5,948,401**	6,167,840
Europe	**23,342,211**	15,610,500
Rest of the world	**35,124,605**	29,420,734
	64,415,217	51,199,074

3 Operating profit

Included in operating profit are the following:

	2022	2021
	£	£
Depreciation of tangible assets	**1,070,545**	867,213
Amortisation of IRU	**2,813,220**	1,287,167
Amortisation of intangible assets	**135,520**	11,104
Operating lease expenses	**2,864,428**	2,098,577

Auditor's remuneration

	2022	2021
	£	£
Current auditor	**210,000**	-
Predecessor auditor	**49,000**	109,140
	259,000	109,140

No non-audit services have been provided by the auditors during the year (2021: £nil).

4 Staff costs

The average number of the Company employees (including directors), analysed by category, was as follows:

Number of employees

	2022	2021
By activity		
Production	**8**	8
Selling and distribution	**77**	51
Administration	**19**	16
	104	75

The aggregate payroll costs were as follows:

	2022	2021
	£	£
Wages and salaries	**7,024,502**	4,667,333
Social security and pension costs	**1,158,953**	895,405
	8,183,455	5,562,738

Notes *(continued)*

5 Directors' remuneration

	2022	2021
	£	£
Directors' remuneration	**346,779**	328,595

The aggregate remuneration of the highest-paid director was £346,779 *(2021:* £328,595*)*.

6 Interest receivable and similar income

	2022	2021
	£	£
Bank interest receivable	**128,758**	106,680
Other income	**1,639**	47,142
Net foreign exchange gain	**2,699,989**	24,179
Total other interest receivable and similar income	**2,830,386**	178,001

7 Interest payable and similar expenses

	2022	2021
	£	£
Interest payable	**101,902**	66,669
Total interest payable and similar expenses	**101,902**	66,669

8 Taxation

	2022	2021
	£	£
Current tax		
Current tax for the year	**-**	831,135
Adjustments in respect of prior years	**239**	(34,647)
Total current tax	**239**	796,488
Deferred tax		
Origination and reversal of timing differences	**961,832**	60,786
Impact of change in tax rate	**166,900**	172,919
Adjustments in respect of prior years	**-**	(153,887)
Total deferred tax	**1,128,732**	79,818
Total tax	**1,128,971**	876,306

Notes *(continued)*

8 Taxation (continued)

Reconciliation of effective tax rate

	2022	2021
	£	£
Profit before taxation	**4,993,877**	4,618,944
Tax at the UK corporation tax rate of 19.00 % (2021: 19.00 %)	**948,837**	877,599
Effect of:		
Expenses not deductible for tax purposes	**12,995**	14,323
Adjustments to tax charges in respect of prior years	**239**	(188,535)
Tax rate changes	**166,900**	172,919
Tax expense included in profit or loss	**1,128,971**	876,306

An increase in UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted in May 2021. Deferred taxes are accounted for at a 25% rate for the years ended 31 December 2021 and 2022.

9 Intangible assets

	2022	2021
	£	£
Cost		
At 1 January	44,380	40,774
Additions	243,524	3,606
Transfers	221,531	-
Disposals	(34,586)	-
At 31 December 2022	474,849	44,380
Amortisation		
At 1 January 2022	38,361	27,257
Charge for the year	135,520	11,104
Disposals	(34,586)	-
At 31 December 2022	139,295	38,361
Net book value		
At 1 January 2022	6,019	13,517
At 31 December 2022	335,554	6,019

Intangible assets include software for office and network applications.

Notes *(continued)*

10 Tangible fixed assets

	Office equipment	Network equipment	Assets under construction	Leasehold improvements	Total
	£	£	£	£	£
Cost					
At 1 January 2022	169,438	10,093,571	583,821	168,645	11,015,475
Additions	43,734	2,315	10,385,798	2,198	10,434,045
Transfers	-	4,821,432	(10,407,922)	-	(5,586,490)
Disposals	(17,998)	(522,944)	-	(7,440)	(548,382)
At 31 December 2022	195,174	14,394,374	561,697	163,403	15,314,648
Depreciation					
At 1 January 2022	92,942	5,113,133	-	88,953	5,295,028
Charge for the year	23,603	1,014,408	-	32,534	1,070,545
Disposals	(15,309)	(505,586)	-	(7,440)	(528,335)
At 31 December 2022	101,236	5,621,955	-	114,047	5,837,238
Net book value					
At 1 January 2022	76,496	4,980,438	583,821	79,692	5,720,447
At 31 December 2022	**93,938**	**8,772,419**	**561,697**	**49,356**	**9,477,410**

11 Indefeasible rights of use

	2022	2021
	£	£
Cost		
At 1 January	18,519,056	6,200,874
Additions	992,547	5,229,345
Transfers	5,364,960	7,088,837
At 31 December	24,876,563	18,519,056
Amortisation		
At 1 January	3,248,278	1,961,111
Charge for the year	2,813,220	1,287,167
At 31 December	6,061,498	3,248,278
Net book value		
At 1 January	15,270,778	4,239,763
At 31 December	**18,815,065**	15,270,778

Notes *(continued)*

12 Investments

	2022	2021
	£	£
Investment in shares	**17,495**	1

Investment relates to 1% share in China Unicom (Russia) Operations Limited, a subsidiary of China Unicom Global Limited. During the year ending December 31, 2022, China Unicom Global Ltd, the parent company, decided to provide additional funding to China Unicom Russia, in which it holds a 99% ownership stake. In order to maintain its 1% ownership share in China Unicom Russia, the Company increased its investment proportionately.

13 Debtors

	2022	2021
	£	£
Trade debtors	**6,163,620**	4,858,005
Amounts owed by group undertakings	**44,195,487**	34,262,575
VAT receivable	**1,481,131**	756,453
Other debtors	**206,923**	181,032
	52,047,161	40,058,065

Amount owed by group undertakings includes an interest-bearing cash pooling balance of £20,553,864 swept to the parent company, China Unicom Global Limited's account in Hong Kong. Interest is calculated at the rate which is the aggregate of 6- month SIBOR/LIBOR/HIBOR (as selected by the parent company) and 1% per annum for the period starting on 1 January and ending on 30th June, and then from 1st July to 31 December each year.

No interest is charged on other outstanding debtors. The directors consider that the carrying amount of debtors approximates their fair value. Intercompany balances are repayable on demand.

14 Creditors: amounts falling due within one year

	2022	2021
	£	£
Trade creditors	**499,050**	561,129
Amounts owed to group undertakings	**13,750,890**	8,608,413
Corporation tax creditors	**76,610**	522,754
Other creditors including taxation and social security	**2,604,492**	2,078,550
Accruals	**14,933,688**	13,120,393
Deferred income	**24,929,988**	18,052,024
	56,794,718	42,943,263

The directors consider the carrying amount of trade creditors approximates their fair value. Intercompany balances are repayable on demand. No interest is charged on payables.

Notes *(continued)*

15 Deferred tax liabilities

	2022	2021
	£	£
At the beginning of the year	**720,495**	640,677
Charged to profit or loss	**1,128,732**	79,818
At end of the year	**1,849,227**	720,495

Deferred tax liabilities are attributable to:	2022	2021
	£	£
Accelerated capital allowances	**1,975,938**	727,403
Less: losses carried forward	**(183,831)**	-
Other	**57,120**	(6,908)
Total	**1,849,227**	720,495

16 Share capital

	2022	2021
	£	£
Authorised		
5,860,000 ordinary shares of £1 each	**5,860,000**	5,860,000
Allotted, called up and fully paid		
4,861,000 ordinary shares of £1 each	**4,861,000**	4,861,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

17 Immediate and ultimate parent undertakings

The Company is a subsidiary undertaking of China Unicom Global Limited. The ultimate controlling party is China United Network Communication Group Company Limited, incorporated in China.

The largest group in which the results of the Company are consolidated is that headed by China United Network Communication Group Company Limited. The smallest group in which they are consolidated is that headed by China Unicom Global Limited, incorporated in Hong Kong. The consolidated financial statements of these groups are available to the public and may be obtained from China Unicom Global Limited's registered office at 75th Floor, The Centre, 99 Queen's Road Central, Hong Kong.