Dear Shareholders,

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

LIU LIEHONG
Chairman and
Chief Executive Officer

CHAIRMAN'S
STATEMENT

OVERALL RESULTS

In 2021, the Company's operating results grew steadily with profitability improving rapidly. Total revenue amounted to RMB327.9 billion, representing an increase of 7.9% year-on-year. Service revenue reached RMB296.2 billion, representing an increase of 7.4% year-on-year, up by 3.1 percentage points compared to 2020. Profit before income tax amounted to RMB17.9 billion and profit attributable to equity holders of the Company amounted to RMB14.4 billion, representing a year-on-year increase of 15.0%, up by 4.7 percentage points compared to 2020. EBITDA[1] reached RMB96.3 billion, representing a year-on-year increase of 2.3%。

The Company actively practiced green and low-carbon development and achieved remarkable results in network co-build co-share. In 2021, the capital expenditure was RMB69.0 billion, lower than the initial budget of RMB70.0 billion, reflecting better investment efficiency. Free cash flow[2] continued to be strong during the year, reaching RMB41.7 billion. The Company further consolidated its financial strength.

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

STRENGTHEN AND SOLIDIFY "THE BASICS"

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

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

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

CHAIRMAN'S STATEMENT

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

"Three-Gigabit" integration led faster fixed-line broadband growth

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

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

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

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

Strengthened internal R&D capabilities to unleash new momentum of innovative business
The Company made persistent efforts in innovation and laid a solid foundation for the five main businesses with cloud, Big Data, IoT, AI, blockchain and security. In terms of Industry Internet, during the year, the Company seized the new opportunities brought by "Eastern Data and Western Computing" and devoted itself to offering integrated computing network service encompassing "connectivity + sensing + computing + intelligence". It built a national "5 + 4 + 31 + X" advanced IDC system which was integrated across cloud, network and edge, reasonably distributed, green and centralised. "Unicom Cloud" was fully upgraded to feature cloud native and virtualised dual engines and offer seven scenario-based cloud products including sensing IoT cloud, data storage cloud, smart video cloud, etc. Integrating "Unicom Chain" and AI, the daily processing capacity of the Company's Big Data platform exceeded 200TB. The number of IoT connections continued to grow as the Company accelerated the transition to

CHAIRMAN'S STATEMENT

integrated IoT "connectivity + non-connectivity" applications. The Company's IoT market share continued to increase. It actively expanded its presence in the security market and its security products were ready for scale replication. Adhering to innovation-driven development, the Company insisted on prioritising resources allocation to innovative talents and increased investment intensity to consolidate basic capability platform. It continued to strengthen the offerings of self-developed products in digital government, smart city, industrial internet, healthcare and environment, etc. Its own critical core capabilities were greatly improved while breakthroughs were made in integrated application. In terms of 5G industry applications, the Company integrated internal and external resources to deeply implement the "5G Applications Sailing" Action Plan and launch five special projects ("Strong Foundation Project, Growth Engine Project, Escort Project, Co-Innovation Project and Blooming Project"), facilitating the digital transformation and intelligent upgrade of thousands of industries with new products, new business formats and new models of 5G applications. It continuously developed and upgraded standardised solutions for 5G industrial Internet, smart city, healthcare, education and cultural tourism. It strengthened research and development in 5G industry integration standards, expanded the 5G application innovation alliance, and optimised the 5G ecology open platform. It continued to increase investment in research and development, and incubated products in IoT for carbon peaking and carbon neutrality, 5G + cooperative vehicle-infrastructure system, 5G + Beidou Navigation Satellite System, smart legal services and smart pension, etc. In terms of core technology research and development, during the year, the Company boosted its investment in technological research, with research and development expenses growing 61.7% year-on-year. The proportion of technological innovation personnel reached 22%, while the number of patents granted reached 1,128, representing a significant year-on-year increase of 120%. The Company led the first-time domestic substitution of high-precision time-frequency synchronisation chips, breaking the foreign monopoly on the technology and providing reliable and low-error time-based precision for 5G networks.

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

Fully established core capabilities to drive new breakthroughs in smart operation

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

INTEGRATE AND OPEN FOR "TEAM COMPETITION"

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

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

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

in CAPEX on a cumulative basis. At the same time, the Company is committed to further expanding the depth and breadth of co-build co-share, promoting cooperation and sharing in technological innovation, cloud-network integration such as IDC, and promoting the co-build co-share and co-maintenance of infrastructure and key business platforms such as transmission lines, pipes and fibres, equipment rooms and antennae, DAS, etc.

Acceleration of factor integration spurred synergetic cooperation to create new value

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

CHAIRMAN'S STATEMENT

SOCIAL RESPONSIBILITY AND CORPORATE GOVERNANCE

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

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

OUTLOOK

The digital economy is driving profound changes in the way of production, lifestyle and governance, and has become a strong driver for sustainable and healthy economic and social development. The accelerated integration of digital technology represented by 5G with the real economy and the accelerated digital transformation of various industries have brought huge opportunities for the development of digital economy. It is expected that the value-added of core industries of digital economy will account for 10% of GDP by 2025[4]. As the "national team" in the construction, operation and service of digital information infrastructure, information communication operators are capable and obliged to participate in the wave of digital revolution with a more active attitude, so as to facilitate information flow and build a new digital base for economic and social development, as well as to enhance the development of digital economy, digital life and digital governance to contribute to the national strategy of technological upgrade.

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

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

Liu Liehong
Chairman and Chief Executive Officer

Hong Kong, 11 March 2022

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

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

Note 3:   Unicom Cloud revenue includes revenue of cloud resources, cloud platform, cloud service, cloud integration, cloud interconnection, cloud security, etc. generated from integrated innovative solutions.

Note 4:   Cited from China's "14th Five-Year Plan for Digital Economy Development".