

CHAIRMAN'S STATEMENT

Dear Shareholders,

2023 was a year for China Unicom to achieve significant results in high-quality development. In the past year, the Company steadily promoted the implementation of its strategic system, actively coordinated the current operation and long-term development, and focused on both scale growth and value enhancement. It fully assumed the main responsibilities of Cyber Superpower and Digital China development, and focused on the two main businesses of Connectivity and Communications (CC) and Computing and Connectivity and Communications (CDSA). The Company achieved steady progress in business development, rapidly strengthened its fundamental capabilities, continuously amplified its distinctive advantages and deepened innovation and reform, laying a more solid foundation for its long-term development.

CHEN ZHONGYUE
Chairman and
Chief Executive Officer



OVERALL RESULTS

In 2023, the Company made efforts to promote the coordinated development of the two main businesses to achieve effective quality enhancement and reasonable growth in scale. Operating revenue increased steadily to RMB372.6 billion, up 5.0% year-on-year. EBITDA¹ reached RMB99.8 billion. The profit attributable to equity shareholders of the Company reached RMB18.7 billion, representing a year-on-year increase of 11.8%, continuing double-digit growth. Return on equity (ROE) reached 5.4%, the best in recent years.

The Company insisted on network-business coordination and precise investment. With 5G network coverage nearing completion, the Company's investment focus is shifting from stable CC business to high-growth CDSA business. CAPEX was RMB73.9 billion in 2023. Network investment saw an inflection point. The Company comprehensively enhanced its value creation ability, with its free cash flow² growing 8.3% year-on-year to RMB28.5 billion. Its capital structure continued to improve with interest-bearing debts decreasing by 19% to RMB46.4 billion, and its liabilities-to-assets ratio remained within a reasonable range of 46.5%.

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. After due consideration of the Company's robust business development, the Board declared a final dividend of RMB0.1336 per share (pre-tax). Together with the interim dividend of RMB0.203 per share (pre-tax) already paid, the total dividend for the year amounted to RMB0.3366 per share (pre-tax), representing a year-on-year increase of 22.8%, which is significantly higher than the 11.8% growth of basic earnings per share. The cash dividend reached a record high³.

CHAIRMAN'S STATEMENT

WITH EMPHASIS ON BOTH SCALE AND QUALITY, BUSINESS DEVELOPMENT MADE NEW ACHIEVEMENTS

China Unicom fully consolidated its foundation in market development, capability and management, and took advantage of its unique edges to promote technological innovation, product innovation, model innovation and system innovation with greater strength. It improved the circulation of various factors, and promoted high-level opening up and cooperation both internally and externally, unveiling a new paradigm of China Unicom's high-quality development. In 2023, the Company achieved service revenue of RMB335.2 billion, up by 5.0% year-on-year.

Stable growth in Connectivity and Communications provided the foundation for steady operations

The Company continued to deepen business integration, market convergence and capability fusion. New integration is gaining momentum. Mobile, fixed-line broadband and leased line businesses saw steady growth in both scale and value. Innovative value-added services for individuals and households achieved rapid breakthroughs. In 2023, Connectivity and Communications (CC) business, which encompasses mobile connectivity, broadband connectivity, TV connectivity, leased line connectivity, communications services as well as information services, achieved revenue of RMB244.6 billion. It contributed to three quarters of the service revenue of CC and CDSA combined. The Company's connectivity scale further expanded, with the total number of CC subscribers exceeding one billion⁴, representing an increase of about 140 million from the end of 2022.

Within that, for mobile connectivity, the Company strengthened coordination among terminals, network and business development. Driven by 5G upgrade, mobile subscribers demonstrated strong growth. The Company continued to strengthen coordinated development, striking a balance among scale, quality, structure and efficiency. The number of mobile subscribers reached 333 million, with a net addition of 10.60 million in 2023. The net addition increased significantly by 90% year-on-year. Subscriber mix continued to improve, and the penetration rate of 5G package subscribers reached 78%, an increase of 12 percentage points year-on-year. The Company actively seized the development opportunities of universal connectivity. The number of Internet of Things (IoT) connections reached 490 million in 2023, of which "4G + 5G" high-speed connections accounted for over 90%, injecting fresh impetus into the development of mobile connectivity.

For broadband connectivity, the Company continued to build its reputation for gigabit service. The number of fixed-line broadband subscribers reached 113 million, with a net addition of 9.79 million year-on-year. The net addition hit a 10-year high. Subscriber mix improved significantly with the integration penetration of broadband subscribers reaching 76%. The penetration rate of gigabit subscribers reached 22%, an increase of 6 percentage points year-on-year.

For information services, the Company strived to build richer and better innovative products, and deepened the rapid growth of information services for the individual and household markets, bringing brand new experiences of quality upgrade to customers. The Company continued to bolster the “platform + cloud network + applications” development model and constantly enhanced information applications. Information services revenue exceeded RMB10 billion. The number of paying subscribers of Personal Digital and Smart Living and Unicom Smart Home reached 100 million.

Robust growth of Computing and Digital

Smart Applications added to growth momentum for innovation and transformation

The new round of technological revolution and industrial transformation is overwhelming, and the prosperity and vitality of the digital economy have opened up new and bigger room for the development of China Unicom. The Company actively embraced the strategic opportunities brought by the resonance of Chinese-style modernisation and next-generation digital revolution. In 2023, Computing and Digital Smart Applications (CDSA), which encompasses Unicom Cloud, data centre, system integration, data services, digital smart applications and cybersecurity,

achieved revenue of RMB75.2 billion. It accounted for a quarter of the service revenue of CC and CDSA combined, and contributed to more than half of the Company’s incremental service revenue.

For Unicom Cloud⁵, revenue reached RMB51.03 billion in 2023, with year-on-year growth of 41.6%. Leveraging the differentiated edge of computing power and network integration as well as significantly richer computing power resources, the Company sold over a million cores of cloud resources, with a year-on-year growth rate of 186%. Its cloud resources covered over 230 cities. The Company overcame critical technological barriers in cloud server operating systems, databases and cloud disaster recovery, and met customers’ need for scenario-based customisation. It built a series of benchmark cases in the fields of government affairs, healthcare, transportation and education, empowering quality and efficiency enhancement in various industries. The Company made new efforts in technological innovation and ecological co-construction, further enhanced its proprietary R&D capability, and continued to optimise the “virtualised” and “cloud native” dual-engine foundation. It deployed more than 3,300 sets of self-developed operating system CULinux 2.2.



CHAIRMAN'S STATEMENT

For data service, seizing policy opportunities such as “Digital China” construction and the “Data Factor X” Three-Year Action Plan, the Company focused on strengthening the supply of data products and capabilities, empowering holistic digital transformation of the economy and society. Leveraging its centralised platform and cutting-edge Big Data capability, the Company’s data services accounted for over 50% market share for five consecutive years, outperforming in the industry. It always regarded the integrated innovation of Big Data and AI technologies as the core driving force. Twelve of its data management capabilities were named in the “2023 Data Governance Industry Graph 2.0”, ranking first in terms of quantity. Its data processing capacity continued to increase, and the daily amount of data collected doubled year-on-year to 1.2 PB. The Company passed the highest DCMM5 certification with the highest score ever. It comprehensively served the digital transformation of government affairs. It built the No. 1 brand in digital government and developed 15 provincial government affairs Big Data platforms, while the total number of smart city service districts and counties exceeded 800.

For digital and smart applications, the Company accelerated the in-depth integration of the digital economy and the real economy with 5G technology, in order to provide a digital “new engine” for strategic emerging industries and future industries. The scale development of digital and smart applications achieved remarkable results, with a cumulative total of 30,000 5G industry application projects covering 71 major

categories of the national economy, serving more than 8,500 5G private network customers. The Company has formed a leading edge in key sectors such as industrial Internet, digital government, and Internet of vehicles, etc. Its professional and specialised capabilities in digital intelligence continued to strengthen, with 32 self-developed application products generating revenue in excess of RMB100 million. It iteratively upgraded the 5G industry private network PLUS product matrix, developed Gewu Unilink, a cross-industry and cross-profession industrial Internet platform, and launched ten 5G RedCap industry terminals. During Mobile World Congress (MWC) 2024, it won three Global Mobile (GLOMO) Awards, leading the high-quality development of 5G digital and smart applications.

For cybersecurity, the Company focused on network security, data security, information security and other key aspects, and strengthened Big Security strategic business deployment. Based on the “Mogong” platform, the Company developed a new model of “platform + components + services” security operating services. It built China’s first mega-city digital security operation centre for a client, and implemented more than 50 benchmark projects. It promoted open cooperation in the security ecosystem by attracting partners to join the “Security Hub” and build a large-scale, product-rich and accessible security cloud market, supporting cybersecurity revenue to achieve a rapid growth of 120%.

BUILDING A SOLID FOUNDATION FOR SUSTAINABLE DEVELOPMENT BY CONSOLIDATING CAPABILITIES

Network is the foundation of the Company's existence, and innovation is the source of the Company's vibrancy. In recent years, the Company has vigorously promoted the work orientation of strengthening the fundamentals and basics, and has made efforts to build digital information infrastructure as the foundation to help China's digital economy flourish. The Company actively promoted the research on critical core technologies and the construction of a unique capability system, in order to play a bigger role in technological innovation, industrial control and security support. It provided a solid foundation for the Company to forge ahead in its new journey and undertake new missions.

Network capabilities continued to strengthen with precise investment

The Company accelerated the construction of digital information infrastructure in order to consolidate the foundation of its long-term development. The Company had over 1.21 million 5G mid-band base stations and 680,000 900M base stations. Its mobile network coverage continued to strengthen. Its broadband network maintained its industry edge in Northern China, while its foundational capabilities in Southern China were markedly boosted. For government and enterprise network, it provided "hard and soft" high-quality private network services, and continuously expanded coverage scale and multi-cloud connectivity, promoting "cloudification and digital empowerment" for thousands of industries. The Company fully implemented the national Eastern Data

and Western Computing strategy, and actively deployed a new computing power network with advanced architecture, security and reliability and excellent service. Through the "5 + 4 + 31 + X" new IDC deployment, the Company strived to build green, centralised, secure and reliable computing infrastructure. The Company proactively responded to the transformation and upgrade of AI computing power demand, and pushed forward "1+N+X" AI computing planning and deployment. In Eastern regions with developed AI computing industry and Western regions with abundant resources, it undertook tiered deployment and construction. It has constructed over 100G high-speed transmission links among national hubs, reinforcing the optical transport foundation for computing power network. The latency of the Company's public IP backbone network maintained its edge in the industry.

The Company adhered to new development philosophy and pushed forward high-quality 5G development. 220,000 5G mid-band base stations were added and the number of shared 4G base stations exceeded two million. It launched the world's first 5G roaming pre-commercial trial in Xinjiang province with fellow operators to further improve the network resources utilisation efficiency in remote areas. It made good progress in promoting the co-build, co-share and co-maintenance of transmission lines, pipes and optical cables and other infrastructure. The Company took practical actions to echo the "dual carbon" policy, saving operating expenses of about RMB39.0 billion and annual carbon emissions of about 11.50 million tonnes in 2023, and saving cumulative capital expenditure of about RMB340.0 billion.

CHAIRMAN'S STATEMENT

Innovation-driven transformation made a deep and steady stride

The Company actively forged its core capabilities, continued to build a strong engine for technological innovation, focused on promoting industrial innovation with technological innovation, and accelerated the development of new quality productivity. It made greater efforts on talent cultivation, with the ratio of technological innovation personnel reaching 40%. It was granted 2,287 patents during the year, up by 37% year-on-year. The Company enhanced the efficiency of capital operation and strengthened capital cooperation. It set up joint ventures such as Nebula Times Technology Co., Ltd. and China Unicom Digital Intelligence Medical Technology Co. Ltd to further improve its capability in offering professional and specialised digital services.

The Company regards AI as an important strategic field. It accelerated the deployment in this nascent industry by combining China Unicom's advantages in computing network infrastructure, diverse business use cases and extensive customer touch points to build a large language model (LLM) application development paradigm with China Unicom's characteristics. At the recent MWC, the Company launched the "Yuanjing" LLM system, which offered multiple parameter versions according to different functional needs, so as to use LLM to better empower use cases in the real economy. The Company comprehensively improved customer service with AI + Big Data, with relevant achievements successfully shortlisted in "Wu Wenjun Award for Science and Technology in Artificial Intelligence", an authoritative award in the industry.

The Company further accelerated deployment in satellite communications, and actively promoted the industrialisation and systemic development of air-ground integrated communications.

SOCIAL RESPONSIBILITY AND CORPORATE GOVERNANCE

The Company takes care of national interests, spontaneously contributes to national strategies and organically integrates its economic responsibility with social responsibility. In the past year, the Company demonstrated its commitment in environmental, social and corporate governance aspects, and contributed its part to meet the needs of people for better information life and the demand for digital, network-based and intelligent transformation of various industries. The Company continued to build a solid, reliable and secure network, enhance data and information security capabilities, and bolster its collaborative support system, fortifying national cybersecurity defence. Fulfilling the "dual carbon" strategy, the Company actively constructed large data centres which were technologically advanced, green and low-carbon, secure and reliable. The Company endeavoured to build an inclusive and accessible digital society and fully supported rural revitalization. Its Digital Village platform covered the 255,000 administrative villages and served more than 26 million villagers. The Company fully demonstrated its responsibilities. During major events such as communications support, rescue and disaster relief, reform, etc., it performed its missions and successfully completed communications support tasks during rescue and disaster relief. The Company advanced quality enhancement as a listed company. It strengthened communication with the capital market through reverse roadshows and other activities, and actively responded to shareholders' concerns, promoting the mutual improvement of both its intrinsic value and market value.

The Company continued to improve its governance mechanism, providing solid support for sustainable and healthy development. It has received numerous recognitions, including ranking 267th in the Fortune Global 500 for the year 2023, ranking 277th in the Forbes Global 2000, being voted as “Asia’s Most Honored Telecom Company” by Institutional Investor for the eighth consecutive year, and being voted as “Best Overall Company in China — Gold” in “Asia’s Best Managed Companies Poll 2023” organised by FinanceAsia.

OUTLOOK

At present, the trend of digitalisation, intelligent transformation and green development is unstoppable. The new round of technological revolution and industrial transformation has developed rapidly, giving rise to unprecedented new services, new models and new business formats. Under the new landscape, the strategic, fundamental and leading role of the information and communication industry has become more and more prominent. In 2024, the Company is confident in maintaining stable growth in operating revenue and double-digit growth in profit. CAPEX is expected to be within RMB65.0 billion, in which CDSA investment will be appropriately brought forward and its deployment will be strengthened.

The Company will insist on making progress while maintaining stability, deeply implement the five strategies to build a strong enterprise, i.e. via technology, talent, reform, digital and smart transformation, and brand. We will deeply implement nine key action plans in respect of CC, computing network integration, digital and smart applications, internationalisation, Big Data innovation, AI innovation, digital new infrastructure, high-quality services and cybersecurity, in order to accelerate becoming a world-class technology service enterprise with global competitiveness.

Last but not least, on behalf of the Board, I would like to express my sincere gratitude to all shareholders, customers and all sectors of society for their long-term care and support to the Company, and to all employees for their continued efforts and contributions!



Chen Zhongyue

Chairman and Chief Executive Officer

Hong Kong, 19 March 2024

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: The 2023 final dividend declared will be subject to approval at the Company’s annual general meeting.

Note 4: The total number of CC subscribers as at the end of January 2024.

Note 5: Unicom Cloud revenue represents revenue generated from cloud resources, cloud platform, cloud services, cloud integration, cloud interconnection, cloud security, etc. by integrating innovative solutions.