CHAIRMAN'S STATEMENT

Dear Shareholders,

In the first half of 2024, China Unicom fully implemented new development concepts, bravely assumed its roles as a leading contributor of digital information operations and services and a pioneer of digital technology integration and innovation, and advanced network innovation, technology innovation, and service innovation. It made steady progress in business development, continuously strengthened foundational capabilities, achieved breakthroughs in technological innovation, and made significant progress in high-quality development, thereby making new contributions to building a Cyber Superpower and Digital China.

CHEN ZHONGYUE
Chairman and Chief Executive Officer

OVERALL PERFORMANCE

In the first half of the year, the Company's operating revenue grew steadily, reaching RMB197.3 billion, representing a year-on-year growth of 2.9%. EBITDA[1] reached RMB55.0 billion, representing an increase of 2.7% year-on-year. Profit before income tax reached RMB16.9 billion, up by 10.4% year-on-year. The profit attributable to the equity shareholders of the Company reached RMB13.8 billion, growing 11.3% year-on-year and representing double-digit growth for 8 consecutive years, with profitability increasing year by year.

The Company focused on strengthening network-business synergy and undertook precise investment, resulting in effective control of capital expenditure. In the first half of the year, capital expenditure amounted to RMB23.9 billion, down by 13.4% year-on-year. The Company's capital structure continued to optimise, with interest-bearing debts[2] decreasing by 3.8% compared to the end of last year to RMB3.05 billion, and its liabilities-to-assets ratio declined to a healthy level of 45.5%.

The Company attaches great importance to shareholder returns. The Board resolved to distribute an interim dividend of RMB0.2481 per share (pre-tax), representing an increase of 22.2% year-on-year, significantly higher than the growth of basic earnings per share, continuously enhancing shareholder returns.

FOCUSING ON THE MAIN RESPONSIBILITIES AND BUSINESSES AND STRENGTHENING THE POSITIVE DEVELOPMENT TREND

The Company accelerated the expansion of its two main businesses, namely Connectivity and Communications[3] and Computing and Digital Smart Applications[4], continuously strengthened strategic execution, and enhanced its operational revenue generation capabilities with a focus on both quantity and quality. In the first half of the year, the Company's development structure was further optimised, and the quality of development gradually improved, achieving service revenue of RMB175.7 billion, representing a year-on-year increase of 2.7%.

Stable growth and quality enhancement in connectivity and communications business
In the first half of the year, the Connectivity and Communications (CC) business achieved a revenue of RMB125.1 billion, representing a year-on-year growth of 2.1%.

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The Company achieved both scale and value enhancement of connectivity subscribers. First, the number of connections grew steadily, recording net addition of nearly 80 million in the first half of the year and exceeding 1 billion in total. Within that, the number of mobile subscribers recorded net addition of over 6 million to reach approximately 340 million. The net addition was a five-year high for the same period. The number of IoT connections exceeded 560 million. The number of broadband subscribers continued to grow and reached 117 million. The number of integrated subscribers exceeded 80 million. Second, subscriber structure was further optimised, with 5G package subscriber penetration reaching more than 80% and the penetration rate of gigabit broadband subscribers exceeding 25%. Remarkable achievement was made in value operation, as the ARPU of integrated subscribers reached RMB103.

The Company insisted on expanding new scenarios and creating new value with new integration. First, in terms of business integration, the integration penetration rate continued to increase, with marked improvement in development quality. Second, in terms of product integration, for individual customers, the Company created several products with revenue exceeding a billion in RMB. The subscriber scale of featured products such as Unicom Cloud Drive and Video Ringtone steadily expanded. For household customers, leveraging full-home optical fibre broadband, the Company expanded featured services such as smart home, intelligent security, and UHD content, bringing new experiences of quality upgrades to customers. Our smart enterprise full-optical networking service had nearly 300,000 SME customers. Third, in terms of terminal integration, the cumulative terminal sales exceeded 25 million units in the first half of the year. Terminal sales in the first half of the year increased by 4.3% year-on-year, driving steady growth in operating revenue. We strengthened terminal operation and financial empowerment, effectively driving the integrated development of terminals and SIM numbers, with substantial improvement in terminal sales and Unicom SIM card penetration rate.

Expanded growth and enhanced efficiency in computing and digital smart applications business
Facing the transformation and upgrading needs of thousands of industries and the information consumption needs of thousands of households, the Company accelerated the deep integration of communication technology (CT), information technology (IT), data technology (DT), and operation technology (OT) with vertical industries and key scenarios, actively exploring new blue oceans in Computing and Digital Smart Applications (CDSA). In the first half of the year, CDSA business revenue reached RMB43.5 billion, representing a year-on-year increase of 6.6%.

Computing power business grew rapidly. In the first half of the year, Unicom Cloud[5] revenue achieved RMB31.7 billion, growing 24.3% year-on-year. Breakthroughs were achieved in both computing power scale and product capability, maintaining a leading position in the industry. The Company built a series of government affairs clouds, enterprise clouds and medical clouds benchmark projects. We fully commenced the AI-oriented upgrade of data centres to drive the rapid growth of AIDC business. IDC revenue growth outperformed the industry. In particular, we seized the opportunities of intelligent computing development to launch five major intelligent computing products, providing scenario-based, professional, and differentiated intelligent computing services.

The Company's data service is leading in the industry. In the first half of the year, data service revenue reached RMB3.2 billion, with a year-on-year growth of 8.6%. Based on large-scale data governance and service experience, **the Company actively leveraged the multiplier effect of data factors** to build government affairs big data platforms, economic operation platforms for multiple provinces and cities. **The Company actively participated in the market-oriented reform of data factors** by launching Trusted Data Resource Spaces and Unicom Data Network solutions, consolidating its data infrastructure, and collaborated with a number of partners such as local data exchanges and big data companies to actively promote public data operation model innovation.

The Company penetrated industry scenarios and customer ecology to drive double-digit growth in digital smart applications. In the first half of the year, digital smart application revenue reached RMB3.7 billion, representing an increase of 13.5% year-on-year. The Company actively assisted in new industrialisation. We built over 5,800 5G factories, served over 12,000 5G private network customers and implemented over 38,000 commercial projects, enhancing our brand influence in 5G+ industrial Internet. The Company actively promoted universal intelligent connectivity, with the number of standard object models on the Gewu platform reaching over a thousand, and the number of categories of connected devices exceeding ten thousand. We served over 100,000 enterprise customers. We maintained our dominant position in the factory installed IoV connection market.

The Company fully leveraged its role as Chain Chief to drive strong growth in the cybersecurity business. In the first half of the year, cybersecurity revenue reached RMB1.4 billion, increasing by 58.2% year-on-year. **The Company continuously enriched product offerings.** On the "Mogong" security operation service platform, over 200 cooperative products were launched, serving more than 200 government and large enterprise customers. **Leveraging the driving force of cooperation,** the "Security Hub" cloud market for industrial chain security attracted more than 100 partners and served over 10,000 small and medium-sized enterprises.

Accelerating international business

In recent years, the substantial increase in the number of Chinese enterprises going abroad and outbound tourists has brought valuable opportunities for the Company to enhance its internationalised market operation. Revenue from international business in the first half of the year amounted to RMB6.0 billion, representing a year-on-year increase of 8.4%, which was mainly attributable to the higher growth rate of revenue from outbound international roaming and international mobile business, as well as the rapid growth of revenue from major products, such as global smart network, high-bandwidth leased lines, Unicom Cloud and IoT. In particular, we achieved a breakthrough in international IoT connectivity capability, with revenue increasing by 93.4% year-on-year. In June this year, the Company held a conference on internationalised development in Hong Kong and a global partner conference in Shanghai to promote stronger domestic and overseas integration synergy, further accelerate the development of international business to take a bigger step, and make every effort to become stronger, better and bigger in serving the global development.

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THE FOUNDATION OF CAPABILITIES CONTINUED TO BE STRENGTHENED, ENHANCING CORE COMPETITIVENESS

Technological innovation capabilities significantly strengthened

The Company deeply implemented the strategy of strengthening the enterprise through technology, vigorously developing strategic emerging industries and future industries. Focusing on the three aspects of network, data, and intelligence, it stepped up R&D investment intensity. In the first half of the year, R&D investment increased by 13% year-on-year. We strengthened original and leading scientific and technological research, and formed a number of landmark achievements, such as Computing Power AI Network, Trusted Data Resource Space Platform, and UniAI, etc. In June this year, our "5G key technology and engineering application" project won the first prize of the 2023 National Science and Technology Progress Award.

In terms of network technology innovation, the Company focused on the next-generation Internet, and conducted research on lossless network technologies. We achieved the industry's first 3,000-kilometer wide-area lossless transmission, with terabytes of data transmitted within minutes, meeting the needs of high-speed data transmission. We launched the Computing Power AI Network (AINet) to achieve intelligent dispatch of computing power across the whole network, supporting the effective collaboration of training and inference and ensuring the security and reliability of the whole network. Focusing on new-generation wireless communication networks, we optimised network architectures, technical systems and operation modes, made breakthroughs in 5G-A key technologies, explored the development of 6G standards, and promoted innovative applications such as satellite Internet and low-altitude intelligent networks.

In terms of data technology innovation, we actively implemented the "Data Factors X" action plan, deeply cultivated original big data technologies, continuously improved data governance capabilities, and continuously strengthened data security operations. We published shared artificial intelligence datasets and built a mechanism for sharing data. The "Trusted Data Resource Space" platform was launched to provide reliable infrastructure for the circulation and utilisation of data factors.

In terms of intelligent technology innovation, the Company actively implemented "AI+" action plan, and accelerated the formation of technology-leading proprietary and controllable capabilities to promote the integration and development of artificial intelligence with various industries. To enhance our mode capabilities, we iteratively upgraded the UniAI large model system, pushing the number of parameters from hundreds of billion to trillion. We accelerated model application and formed over 35 industry-specific large models, making initial progress in empowering areas such as urban governance, economic operations, information consumption, and industrial manufacturing.

Building a solid network foundation for a high-quality development

The Company continuously strengthened new infrastructure construction, focusing on three specific networks: "Internet network, computing network, and data network". We adhered to network and business synergy and made precise investments. CAPEX in the first half of the year was RMB 23.9 billion. The scale of investments steadily declined and investment efficiency continued to rise, laying a solid foundation for the Company's high-quality development.

In terms of Internet network, the Company firstly continuously improved the coverage of its mobile Internet network. In the first half of the year, the number of 5G mid-band base stations exceeded 1.31 million and that of low-band base stations reached 780,000. The number of 4G mid-band base stations exceeded 2 million. Network core competitiveness was further strengthened. Key 5G-A technologies such as RedCap and carrier aggregation were commercially deployed in over 100 cities. Secondly, the Company accelerated the construction of high-speed broadband Internet network. It promoted the penetration and quality improvement of gigabit networks, with the proportion of 10GPON ports reaching 79%, leading the industry. The Company conducted 50GPON technical pilot projects to promote the construction of 10-gigabit cities.

In terms of computing network, we improved the integrated deployment across cloud, network and edge. We built intelligent computing centres with over 10,000 AI accelerators in Shanghai and Hohhot, etc, achieving total intelligent computing power of 10 EFLOPS. We deployed over 20 large computing centre parks, fully covering the hubs and nodes in "Eastern Data and Western Computing". We accelerated the construction of the "New Eight Vertical and Eight Horizontal" national backbone network and deployed ultra-high-speed interconnection channels between computing centres, creating a high-throughput, high-performance and highly intelligent computing power AI network.

In terms of data network, the Company leveraged its ubiquitous connectivity edge and took advantage of its carrier network capability with flexible bandwidth from 10M to 400G, the Company has created a data service network with highly elastic bandwidth, ultra-low latency, flexible networking, and classified transmission for the circulation and application of data. Unicom Blockchain transactions per second (TPS) exceeded 100,000, ranking among the top in the industry.

CHAIRMAN'S STATEMENT

SOCIAL RESPONSIBILITY AND CORPORATE GOVERNANCE

China Unicom continues to be guided by the new development concepts of innovation, coordination, green, openness and sharing, and takes practical actions to implement the construction of a Cyber Superpower and Digital China. China Unicom has built a sustainable development system to contribute its strength to enhancing the comprehensive value creation capability for the economy, society, and environment. We insisted on transparent and efficient communication with the market, engaging with over 1,000 investors via multiple events in the first half of the year, and conducted multiple overseas roadshows, thereby actively conveying the Company's new image and new values to the domestic and international markets. We adhered to green development and deepened co-build co-share. In the first half of the year, greenhouse gas emissions were reduced by approximately 6.78 million tonnes[6]. Network energy efficiency improved, with the comprehensive energy consumption per unit of telecommunications business volume decreasing by 6%[7]. We promoted the deep integration of digital technology and ecological environment to help build a beautiful China. We continuously supported rural revitalisation. The "Digital Village" service platform covered more than 250,000 administrative villages. We fulfilled social responsibilities in major events such as flood control and rescue, demonstrating its responsibility as a central SOE. We continuously improved corporate governance, and deepened integrated development with strategic investors.

The Company received multiple accolades, including ranking 279th in the Fortune Global 500 for the year 2024, being voted as "Asia's Most Honoured Telecom Company" by Institutional Investor for nine consecutive years, and being voted as the "China's Best Managed Company (Gold)" in "Asia's Best Managed Companies Poll 2024" organised by FinanceAsia.

OUTLOOK

Today, we are in the midst of a new round of technological revolution led by artificial intelligence, and the future of the intelligent era has already arrived. China Unicom adheres to preserving integrity and innovation, continues to strengthen the construction of new infrastructure, promotes the integration and innovation of digital technologies, builds industry-leading digital intelligence capabilities and products, drives industrial innovation with computing network innovation and digital intelligence innovation, and continuously improves management and operating services, in an effort to become a world-class technology service enterprise with global competitiveness. Today's China Unicom has a more solid foundation for development, stronger development momentum and more abundant development vigour. Looking to the full year, the Company is confident in achieving steady growth in operating revenue, double-digit profit growth, and stabilising capital expenditure within RMB65 billion.

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, 15 August 2024

Note 1:   EBITDA represents profit for the period 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:   Interest-bearing debts exclude lease liabilities.

Note 3:   The Connectivity and Communications (CC) business includes six major segments: mobile connectivity, broadband connectivity, TV connectivity, leased line connectivity, communications service, and information service.

Note 4:   The Computing and Digital Smart Applications (CDSA) business includes six major segments: Unicom Cloud, data centres, system integration, data services, digital smart applications, and cybersecurity.

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.

Note 6:   Calculated according to the green and low-carbon coefficients for ICT industry.

Note 7:   Calculated according to the green and low-carbon coefficients for ICT industry, comparing 1H2024 vs FY2023.