

# CHAIRMAN'S STATEMENT

Dear Shareholders,

2022 was a year when the digital economy played a prominent role as the “accelerator” of national economy and became a key driver of economic recovery. It was also a year when China Unicom firmly stayed on the main channel of the digital economy and commenced the full implementation of its new strategy. Adhering to the strategic guidance of “Strengthen and Solidify, Preserve and Innovate, Integrate and Open” and shouldering responsibilities as “the national team, the key force and the frontline troop”, we unveiled a new paradigm for the Company’s faster transformation into a leading enterprise in digital technologies. We stayed forward-looking and vigorously enhanced basic network capabilities and customer service quality. We adhered to innovation-driven development and made multiple achievements in the five main businesses while our core technological innovation capabilities were improved significantly. We insisted on open cooperation, as our integrated operation and service system continuously improved and the industry ecosystem strengthened significantly. The Company’s development scaled new historical heights.

**LIU LIEHONG**  
Chairman and Chief  
Executive Officer



## OVERALL RESULTS

In 2022, the Company achieved “four new highs” in business development: Firstly, operating revenue reached RMB354.9 billion, up by 8.3% year-on-year, which was the highest growth rate in nine years. Secondly, the profit attributable to equity shareholders of the Company reached RMB16.7 billion, representing a year-on-year increase of 16.5%. Excluding non-operating gains and losses<sup>1</sup>, the profit attributable to equity shareholders of the Company reached a new high since the Company’s listing. Thirdly, the proportion of Industry Internet in service revenue exceeded 20% for the first time, and the proportion of innovative business revenue reached a record high. Fourthly, EBITDA<sup>2</sup> reached RMB99.2 billion, hitting a record high since the Company’s listing.

We resolutely implemented the Cyber Superpower, Digital China and Smart Society strategic deployments. Today, China Unicom is accelerating its transformation from a traditional operator to a leading enterprise in digital technologies. We have achieved transformation and upgrade in four dimensions: First is the upgrade of connectivity scale and structure, which expanded from human connections previously to the connections of people, devices and things as we vigorously developed Internet of Things (IoT) and industrial Internet. Second is the upgrade of our core functions, which expanded from basic connectivity to five main responsibilities and main businesses, namely Big Connectivity, Big Computing, Big Data, Big Application and Big Security. Third is the upgrade of service and empowerment. With the integration of next-generation information technologies such as 5G, cloud computing, Big Data, artificial intelligence (AI) and blockchain and the real economy, our capability to serve the digital government, digital society and digital economy was further enhanced. Fourth is the upgrade of our development philosophy. We changed from the traditional market-driven development model to one which is dually driven by both market and innovation. In particular, we increased investment on technological innovation and talents, unleashing unprecedented momentum of innovative development.

In the face of tremendous opportunities in the vast blue ocean of the digital economy, we actively built up our core capabilities. Our full-year capital expenditure reached RMB74.2 billion, which has laid a solid foundation for the stable and long-term development of the Company. The Company continued to be in a strong and healthy financial position in recent years. Its liabilities-to-assets ratio remained at a reasonable level of 46.5%, and its finance costs decreased by 20.9% year-on-year. The Company’s financial strength and ability to counter risks were continuously enhanced.

The Company highly values shareholder return. Taking into consideration the Company’s good business development, the Board proposed a final dividend of RMB0.109 per share. Together with the interim dividend of RMB0.165 per share already paid, the full-year dividend reaches RMB0.274 per share, representing a year-on-year increase of 26.9%. The Company will continue to strive to enhance profitability and shareholder return in the future.

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## FORWARD-LOOKING AND DEDICATED TO BUILDING UP BASIC CAPABILITIES

Network is the foundation of development, and service is the fundamental of the industry. Since the implementation of the new strategy, we have been making great efforts to construct intelligent and comprehensive digital information infrastructure, actively building an unobstructed information channel and a new digital base for economic and social development. We spared no effort to enhance our service quality and strived to build "fully integrated" high-quality service. We have won extensive praise for our service reputation that draws customers from afar.

### Further cemented network foundation

In the past year, the Company continued to increase its investment in basic network capabilities, and the construction of "four premium networks" made remarkable progress. For 5G premium network, 310,000 5G mid-band base stations and 170,000 900M base stations were

added, with the administrative village coverage reaching 96%. The scale and coverage of mid-band 5G were on par with the industry, which helped our mobile subscriber scale reach a new high. For broadband premium network, we maintained our leading advantage in Northern China. 2.14 million 10 G PON ports were added. Urban residential coverage<sup>3</sup> in Southern China reached 80%, which laid a solid foundation for the rapid growth of broadband subscribers in the past two years. For government and enterprise premium network, 307 cities and nearly 150,000 commercial buildings were covered. The Company continued to consolidate its industry-leading leased line brand, with accelerating leased line revenue growth. For computing power premium network, the Company actively implemented the Eastern Data and Western Computing strategy, enhanced the "5 + 4 + 31 + X" multi-tier architecture, and strengthened its leading advantage in backbone network latency and multi-cloud collaboration. Computing power investment for the year amounted to RMB12.4



billion. Supply of resources was more abundant with “one resource pool per city” in 170 cities and over 400 MEC nodes. Deployment of computing power was improved with the number of IDC cabinets reaching 363,000 and 23 provinces covered by 1,000-cabinet IDCs. Our multi-cloud collaboration capability has been industry-leading, with the lowest backbone transmission latency in the industry and 336 internal and external cloud resources pools connected. In the future, the Company will continue to enhance its resource supply capacity in various aspects such as cloud computing, IDCs and backbone carrier network to further strengthen the foundation for the rapid development of the digital economy.

Our co-build co-share with China Telecom continued to deepen, with the number of shared 5G base stations reaching a million, accounting for 30% of the world’s total 5G base stations. We vigorously promoted 700M base station roaming in remote rural areas, and has started commercial trial on live network. The number of shared 4G base stations reached 1.1 million, and cross-sector co-build co-share of infrastructure such as poles and pipelines was also being executed and advanced. Through 5G/4G co-build co-share, we have saved more than RMB270 billion in investment for the country on a cumulative basis, and can save operating costs of more than RMB30 billion a year and reduce carbon emissions by more than 10 million tonnes a year.

#### Further bolstered service quality

We have been adhering to the original aspiration of “people’s post and telecommunications for the people”. Being customer-centric, we insist on creating value for customers. The Company further leveraged its edges in unified and centralised operation as well as data integration. Resolution ratio of smart customer service exceeded 98%, and smart customer service ratio exceeded 83%. Customer perception improved significantly, and the valid complaint rate compiled by the Ministry of Industry and Information Technology (MIIT) hit another record low. The Company strengthened customer care. It launched the Elderly Exclusive Service Campaign and a brand-new youth-focused brand “Unicom WO Pai”. It optimised hotline operations with industry-leading daily get-through rate in 31 provinces. It bolstered service system and shaped differentiated service reputation. It enhanced service effectiveness, with satisfactory resolution rate of customer issues improved by 22 percentage points.

# CHAIRMAN'S STATEMENT

## EMBRACING INNOVATION TO UNLOCK NEW GROWTH POTENTIAL

On the basis of ensuring stable development, we continued to promote in-depth and multi-dimensional innovation and transformation, striving to find a way of development with the characteristics of China Unicom. The Company achieved stable development in the personal and household markets with dual improvement in the scale and value of basic businesses, providing good support to overall growth. It accelerated innovation and transformation and consolidated unique advantages. Industry Internet, a new growth engine, brought brand-new vibrancy to the Company's development in the new era. In 2022, the Company's service revenue reached RMB319.3 billion, up by 7.8% year-on-year.

### Solidified basic businesses

In 2022, the Company overcame the adverse impact of the pandemic and made new breakthroughs in the scale and value of Big Connectivity. The number of mobile billing subscribers exceeded 320 million. The penetration rate of 5G package subscribers reached 66%, signifying improved subscriber structure. The Company optimised the product mix of its basic businesses. Mobile subscriber ARPU increased for three consecutive years, evidencing further enhancement of subscriber value. Riding on industry development trends, the Company took advantage of "dual gigabit" network upgrade to build an integrated and segmented development model and create a foundation for the sustainable growth of broadband business. The number of

fixed-line broadband subscribers exceeded 100 million. The net addition of subscribers exceeded 8 million for two consecutive years. The penetration rate of broadband subscribers reached 75%. The integrated ARPU exceeded RMB100 for the first time, further opening up the huge development potential of the household market. The Company strengthened the supply of 5G digital smart living and smart home application products by launching new products and services such as 5G New Calling, elderly exclusive service and "Unicom WO Pai", etc., vigorously leveraging differentiated advantages driven by product innovation, so as to build up the momentum of the innovative transformation and continuous growth of basic businesses.

### Faster growth of innovative businesses

The Company's Industry Internet business continued to accelerate with revenue in 2022 exceeding RMB70 billion for the first time, representing a year-on-year growth of 29%. Both its scale and growth rate improved. The value of Big Connectivity grew, with the number of IoT connections reaching approximately 390 million. We had nearly 70% market share in new 5G connections. We were the first operator with IoT connections exceeding human connections. IoT revenue amounted to RMB8.6 billion, up by 42% year-on-year. Non-connection revenue grew by 63%, significantly outperforming the industry. The Company was building up momentum in Big Computing as "Unicom Cloud4" continued to double with revenue in 2022 reaching RMB36.1 billion, up by 121% year-on-year. We launched



Unicom Cloud version 7.0. We further bolstered our “secure digital smart cloud” brand image, and further enhanced our proprietary R&D and innovation capability. The full stack of our proprietary and controllable cloud is 100% self-developed and is compatible with more than 90% of domestic mainstream software and hardware products, meeting customers’ localisation needs. The overall rating of our government affairs cloud platform ranked no. 1 in the country. In 2022, we implemented more than 10 provincial government affairs cloud projects and more than 200 hospital cloudification projects. The Company maintained its leadership in Big Data, and achieved revenue of RMB4.0 billion, up by 58% year-on-year. In recent years, we have provided digital government development services to more than 20 provincial governments and 100 municipal governments, and have provided Big Data capability support to 25 ministries and commissions. We deeply participated in the digital and intelligent operation of governments at all levels, highlighting our advantages in data governance and data security. The Company is leading the way in Big Application. By the end of

2022, it has built over 16,000 large-scale 5G application projects on a cumulative basis, which were replicated among 52 major categories of the national economy. It built more than 1,600 fully 5G-connected factories, establishing the no. 1 brand in “5G + Industrial Internet” and setting sail for a new journey which travels steadily and far. In 2022, the Company won the “Enterprise 5G Leadership Award” at the 19th 5G World Summit. The Company accounted for 40% of the project nominations at the 5th “Blooming Cup” (5G application contest) organised by the MIIT and won the most awards in the industry. Big Security achieved rapid growth. The Company set up a dedicated network and information security department and a cybersecurity research institute, with over 1,200 security operation staffs. It operated the Cybersecurity Industry Innovation and Development Alliance of China, and worked with nearly 400 partners to fortify the “New Great Wall” for cybersecurity. Big Security revenue in 2022 grew by nearly 4 times. Our security capabilities have served over 10,000 customers cumulatively.



## CHAIRMAN'S STATEMENT

**Deepened Technological Innovation Transformation**  
The Company has made milestone progress in achieving high-level independence and competence in technologies. We established China Unicom Science and Technology Association and engaged 16 fellows as special experts of the Technology Committee. Our technological innovation was strengthened with industry-leading R&D spending intensity. R&D expenses in 2022 increased by 43% year-on-year. The proportion of technological innovation talents reached 30%. We were granted 1,666 patents. Revenue of self-developed products increased by more than 70% year-on-year. We stepped up efforts in core technological R&D, and put into application 63 outcomes such as signal Big Data platform, 5G full connectivity platform and self-developed UPF, etc. With the upgrade of our smart brain, 402 kinds of online services have been made available in the China Unicom APP, enabling total online experience of core businesses. The Company was awarded the honorary title of "Outstanding Contribution Enterprise in Technological Innovation" by the SASAC for three consecutive years, and was

awarded the 2022 World Internet Leading Technological Achievement Award as well as the First Prize at the 2022 World Artificial Intelligence Conference. These accolades proved the rapid improvement of China Unicom's technological innovation and strengthened our determination to make further inroads in technological innovation.

### SHARING THE DEVELOPMENT BENEFITS OF THE ERA THROUGH OPEN COOPERATION

In the digital era, cross-sector collaboration is commonplace. With integration of factors such as technologies and production processes as well as commercial and market convergence, new vitality emerges in various industries. We continued to promote open cooperation ecosystem and actively lead collective efforts. Taking advantage of its pivotal position in the upstream and downstream value chain, the Company attracted more partners to join the ecosystem. It took the initiative to integrate into the development of the digital economy, and deepened integration and open cooperation. The Company fully promoted the capability generation model of "one China Unicom



with integrated capabilities and operating services” and established 10 industry forces covering 9 major sectors. It fully combined the systematic professional capabilities of 17 professional subsidiaries and 19 industrial Internet companies with the national four-tier operational system comprising the headquarters, provinces, cities, counties and villages to provide customers with integrated solutions and operating services. Synergy between domestic and international operations have been boosted. We have international Internet interconnection with more than 140 operators worldwide, with international interconnection bandwidth reaching 100 Tbps. Data roaming service covers nearly 250 countries and regions. We served and integrated into local economic and social development more proactively, and signed strategic cooperation agreements with 27 provincial governments and 109 large enterprises. We provided digital village services to more than 230,000 administrative villages, building the no. 1 brand in digital villages. Our cooperation with Tencent, Alibaba, JD.com, Baidu and other strategic investors was comprehensively upgraded as we worked with them to jointly promote value creation. We actively embraced the comprehensive registration system reform. China Unicom Smart Connection Technology Limited, a subsidiary of the Company, is proposed to be spun off and listed on the Sci-Tech Innovation Board to share the fruitful benefits and promising prospects of the Company’s development with more investors. It will strive to contribute to the development of Transportation Superpower, Cyber Superpower and Digital China with the power of China Unicom.

## **SOCIAL RESPONSIBILITY AND CORPORATE GOVERNANCE**

As a warm-hearted, responsible and bold enterprise, China Unicom always believes in extending kindness through technology and sharing warmth with actions. The Company actively devoted itself to the development of social welfare undertakings, and deeply focused on the four major areas of ideological continuity, social livelihood, environmental protection and pandemic safety. As always, China Unicom implemented national requirements with practical actions, fulfilled social responsibilities in return to people’s trust, and contributed to the construction of a warm and harmonious society. We continued to provide love and assistance to diversified groups such as the elderly, left-behind children, labour workers and youth students. Believing in sustainable development, the Company cares deeply about environmental protection on an ongoing basis. By frequently carrying out various voluntary campaigns, we contributed to ecological protection and restoration. The Company actively responded to national initiatives and shouldered responsibilities as a central state-owned enterprise. Driven by the three major means, reducing the rent of small and medium-sized enterprises, clearing outstanding payables to private enterprises and reducing financing costs of small and medium-sized enterprises, the Company dedicated itself to helping small and medium-sized enterprises overcome difficulties, strongly underpinning the prosperity and development of market economy. We continued to strengthen the base for digital villages and consolidate the foundation for rural revitalisation and development, building an information highway for digital agriculture and smart village.

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We care about the realisation of capital market value and actively explore the reshaping and upgrade of valuation methodology. The Company took the lead in revamping the monthly disclosure metrics that had been used for 20 years, and joined hands with China Telecom and China Mobile to organise the first telco industry joint investor briefing. We are pleased to see the capital market's positive response to the Company's development prospects. As the first central SOE to echo attempt to reshape valuation methodology, the Company's performance in the capital market was outstanding with boosted share price and trading volume. Our share price has surged by over 90% from the trough<sup>5</sup>. Since November last year, China Unicom A Share, the controlling shareholder of the Company, has been the most traded stock in the A-share market during the period<sup>6</sup>. China Unicom actively responds to the reshaping of valuation methodology, and will continue to provide good return to shareholders and the market by enhancing corporate value.

The Company continued to improve its governance mechanism, enhance its execution, strengthen risk management and internal control to provide solid support for the sustainable and healthy development of the Company. It received numerous recognitions, including ranking 267th in "Fortune Global 500" for the year 2022, ranking 366th in "The Forbes Global 2000" for the year 2022 and being voted as "Asia's Most Honoured Telecom Company" by Institutional Investor for the seventh consecutive years.

## OUTLOOK

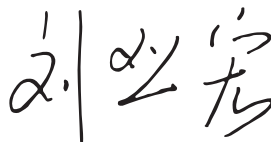
Information is an important carrier for the evolution of human civilisation. Recently, new concepts such as Metaverse, digital twin and AI generated content (AIGC) have emerged and new technologies continuously redefine market perception, which has put forward greater challenges to the capacity and experience requirements of information pipelines and computing power network, while providing industry players with huge opportunities. By 2025, China's digital economy will exceed RMB60 trillion<sup>7</sup>. The huge market, the blue ocean of development and eye-catching technologies have created enormous prospects for future and imagination. Today, China Unicom is accelerating its transformation into a leading enterprise in digital technologies. We ride on the reshaping of valuation methodology to actively contribute to the high-quality development of a "Chinese modern capital market". In 2023, we will further step up investment. Capital expenditure will reach RMB76.9 billion, of which computing power network investment will account for more than 19% and grow by over 20% year-on-year, in an effort to solidify a digital base. We will further strengthen technological investment to develop more specialised and innovative products in the five main responsibilities and main businesses, so as to enhance our core competitiveness and innovation-driven capability. We will further build stronger operating service system. With a focus on strengthening county-level companies, we will bolster our marketing capabilities to enhance market-driven development. We will further





strengthen digital transformation, and comprehensively turn the Company's digital system from good to excellent, so as to enhance our digitally empowered production and operation capabilities. We will be a better "way-paver" to provide the "No. 1 connection" for the digital economy. We will be a better "enabler" to empower the digital transformation of thousands of industries. We will be a better "guard" to build the most reliable cybersecurity defence line for the development of the digital economy. We will continue to deeply implement the "1 + 9 + 3" strategic planning system, make new achievements in high-quality development with new morale and initiatives, and contribute to Chinese-style modernisation with digital, network-based and intelligent transformation. We will stabilise growth, enhance capability and create value, with an aim to maintain steady growth of service revenue, double-digit growth of net profit, and continuous improvement of return on equity in the year.

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.



**Liu Liehong**  
*Chairman and Chief Executive Officer*

Hong Kong, 8 March 2023

Note 1: Excluding the one-off gain from the sale of CDMA network in 2008, the profit attributable to equity shareholders of the Company reached the highest since listing.

Note 2: 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 3: Urban residential coverage rate in the 21 southern provinces.

Note 4: 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 5: Based on the intra-day lowest price of HK\$3.27 on 28 October 2022 and intra-day highest price of HK\$6.31 on 3 March 2023.

Note 6: Cumulative trading volume for the period between 1 November 2022 and 3 March 2023.

Note 7: Data were sourced from the China Academy of Information and Communications Technology.