

# BOARD'S STATEMENT

Dear Shareholders,

In the first half of 2023, the Company steadily advanced the deepening and implementation of its strategic planning system, actively coordinated current operations and long-term development, and achieved steady growth in operating results, strong momentum in innovation, and continuous enhancement of core functions, taking a more solid step towards the transformation into an innovative enterprise in digital technologies.

## STEADY BUSINESS GROWTH DRIVEN BY STRATEGY

In the first half of the year, the Company's revenue and profit scale once again reached new highs since listing. Operating revenue reached RMB191.8 billion, up by 8.8% year-on-year. Service revenue reached RMB171.0 billion, up by 6.3% year-on-year. EBITDA<sup>1</sup> reached RMB53.6 billion, up by 4.1% year-on-year. The profit attributable to equity shareholders of the Company reached RMB12.4 billion, representing a year-on-year increase of 13.1% and a double-digit growth for the seventh consecutive year. In the first half of the year, the Company's return on equity<sup>2</sup> reached 3.6%. The foundation of the Company's high-quality steady and long-term development was further strengthened.

The Company continued to strengthen its network capabilities. In the first half of the year, capital expenditure reached RMB27.6 billion, which provided a solid network foundation for the high-quality development of the Company. Thanks to good cost control and improved operating efficiency in recent years, the Company's financial position remained consistently healthy. Liabilities-to-assets ratio remained at a reasonable level of 46%, and interest-bearing debts excluding lease liabilities decreased by 17% year-on-year. The Company's financial strength and ability to counter risks continued to strengthen.

The Company attached great importance to shareholders' return. After due consideration of the Company's robust business development, the Board resolved to distribute an interim dividend of RMB0.203 per share (pre-tax), up by 23% year-on-year, which is significantly higher than the 13% growth in basic earnings per share. Shareholders' return continues to enhance.

## CAPTURING DIGITAL OPPORTUNITIES BY RIDING ON TRENDS

Facing the profound changes and huge opportunities brought by the in-depth integration of the digital and real economies, the Company coordinated foundational strengthening as well as innovative transformation, and actively promoted the synergetic development of both basic and innovative businesses. The new integration of mobile and broadband was building up momentum, and achieved steady growth in both scale and value. The Company focused on both the scale and quality of innovative businesses. The core competitiveness of digital products and solutions continued to improve. In the first half of the year, the Company's Industry Internet revenue reached RMB43.0 billion, accounting for more than a quarter of service revenue for the first time and becoming a key driver of the Company's revenue growth and structure optimisation.

### Expanding the Growth Potential of Big Connectivity

We insisted on innovation-driven development, and actively embraced the new blue ocean of the digital economy, achieving rapid development in the five main businesses. In the first half of the year, the Company's Big Connectivity subscribers reached 928 million, with a net addition of over 66 million.

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### Solid performance of basic businesses better underpinned overall results

Mobile business achieved dual improvement in both scale and value. The number of mobile subscribers exceeded 328 million, with a net addition of 5.34 million in the first half of the year, which was a new high during the same period in four years. 5G package subscriber penetration exceeded 70%, as subscriber structure was further optimised. The Company strengthened product supply capability. The number of active subscribers of Personal Digital Smart Living products, such as Video Ringtone, Unicom Assistant and Unicom Cloud Drive, exceeded 87 million, and revenue thereof increased by 90% year-on-year, driving mobile ARPU to increase. The innovative growth of broadband business further accelerated. The Company took advantage of “dual-gigabit” network upgrade to drive integrated development of subscribers. The number of fixed-line broadband billing subscribers reached 108 million. Net addition exceeded 4 million in the first half consecutively, with the integration penetration rate reaching 75%. In particular, the Company accelerated the promotion and application of Fibre to the Room (“FTTR”) which unleashed new potential for the sustainable growth and value enhancement of broadband business.

### IoT business continued to grow rapidly

In the first half of the year, IoT business revenue reached RMB5.4 billion, representing a year-on-year growth rate of 24%, which instilled new vitality into Big Connectivity development. High-, mid- and low-speed access scenarios were all covered with integrated development of “terminals, network, cloud, AI and security”. The Company leveraged Gewu platform to empower industry breakthroughs, effectively driving faster development in industrial Internet, smart city, and ecological environmental protection.

### Enhancing In-House R&D Capabilities in Big Computing

The Company's in-house R&D capabilities continued to improve. It has established a brand image of “secure, digital and intelligent cloud”, and developed the unique edges of “security and reliability, cloud-network integration, Big Data and AI integration, tailored customisation, and multi-cloud collaboration”. The Company continuously iterated and upgraded technological innovation, industrial empowerment, and ecological cooperation, so as to instil new momentum into the development of the digital economy. The Company continuously upgraded the foundational architecture of Unicom Cloud, and achieved a multi-modal cloud with a unified architecture. Based on China Unicom's multi-year experience in penetrating vertical industry markets, we have developed rich variety of scenario specific solutions based on seven scenario clouds to fully empower the digital transformation of industries. In the first half of 2023, Unicom Cloud<sup>3</sup> achieved revenue of RMB25.5 billion, up by 36% year-on-year. It is expected to exceed RMB50.0 billion for the full year.

#### **Maintaining Industry Leadership in Big Data**

The Company fully leveraged its first-mover advantage in the industry in centralising data and unifying operations, combined with artificial intelligence and blockchain technology, to establish a comprehensive Big Data capability system. Based on 400PB of hyperscale data processing and trillion-grade real-time data processing capabilities, and with a view to unleashing the value of data factors, the Company deeply penetrated sectors such as digital government affairs, digital finance, smart tourism, industrial Internet, etc. Focusing on scenario demand, we enriched key industry applications to promote the deep integration of the digital and real economies, establishing the brand of “Unicom Service” for digital government affairs. In the first half of the year, the Company’s Big Data business achieved revenue of RMB2.9 billion, up by 54% year-on-year, with market share of over 50% for consecutive years.

#### **Empowering Thousands of Industries with Big Application**

The Company actively promoted the deep integration of next-generation digital technologies and the real economy. The cumulative number of 5G industry application projects exceeded 20,000, and has comprehensively covered 60 categories of the national economy. We promoted the transition of 5G applications from “show flats” to “commercial properties”. The cumulative number of customers served by 5G virtual private networks exceeded 5,800 and the contract value of 5G industry applications reached RMB6.2 billion. The Company continued to iterate 5G private network PLUS product system and carried out core technological to tackle key problems. The number of 5G factories exceeded 2,600 as 5G applications deepened. We completed trial verification of full-spectrum 5G RedCap in 8 major sectors, including manufacturing and power, which effectively promoted the integrated innovation of 5G and vertical industries, and led 5G applications in “lightweight”.

#### **Rapid Growth in Big Security Revenue**

The Company focused on the key directions such as network security, data security and information security, and strengthened the deployment of security business. We accelerated the scale replication of the “platform + product + service” model, and launched more than 80 products in the security cloud market to widely meet the security needs of the digital economy. Big Security revenue grew 178% year-on-year in the first half of the year, boosting the scale development of security business.

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### STEADY ENHANCEMENT OF CORE COMPETITIVENESS WITH PERSEVERANCE

With a thriving digital economy, new technologies, new business formats and new models have been emerging. Rapid changes in the external environment pose high demands on corporate core competitiveness and sustainable development. In recent years, the Company has been boosting its foundational momentum and capabilities, and better leveraging technological innovation, industrial control and security support to lay a solid foundation for the steady and long-term development of the Company.

#### Continuous Enhancement in Network Capabilities

We accelerated the construction of four premium networks, namely 5G, broadband, government and enterprise, and computing power. The number of 5G mid-band base stations exceeded 1.15 million, with the scale and coverage on par with the industry. Our

broadband networks in cities, counties and towns are fully gigabit-ready. Its government and enterprise premium network fully covered 335 local networks in the country. The Company made great efforts to build a computing power base with abundant computing power, sufficient capacity, multi-cloud synergy and computing-network integration, and built a new IDC system to comprehensively undertake the national "Eastern Data and Western Computing" project. The number of cabinets exceeded 380,000. Unicom Cloud pool covered more than 200 cities. The average backbone network latency remained leading in the industry. The co-build co-share with China Telecom has been deepening. In addition to adding 150,000 5G co-build co-share base stations, the Company promoted a single 4G mid-band network, with the number of shared base stations exceeding 2 million and a sharing ratio of over 90%. We also actively promoted cross-sector co-build co-share of infrastructure such as poles and pipelines and made good progress.

#### Significant improvement in technological innovation

The Company continued to enhance its technological innovation capability, with R&D investment intensity reaching 2.94%, leading the industry. The number of patents granted reached 1,326, an increase of 70% year-on-year. The Company has actively promoted network technology innovation, created more than 10 innovative network products, and accumulated more than 100 network intelligent operation scenarios, driving production and operation to increase revenue and reduce costs. It highly emphasized on the development of next-generation artificial intelligence technology represented by large models, and made active deployment in the cutting-edge field of artificial intelligence, accelerating the enhancement of the Company's AI capability. In recent years, the Company's investment in technological innovation has gradually borne fruit. In the first half of the year, the Company won two first prizes from China Institute of Communications, a first prize from China Institute of Electronics, the National Patent Silver Award, the "Best Connected Health Mobile Innovation Award" from GSMA, and the "5G Industry Challenge Award" from AMO, etc. Strategic planning in emerging industries has further accelerated.

#### Deepening and Solidifying Reform and Strategic Cooperation

The Company steadily advanced the spin-off and listing of its subsidiary China Unicom Smart Connection Technology. China Information Technology Designing & Consulting Institute deeply pushed forward its reform, established a diverse board of directors, and explored in-depth cooperation with strategic investors in multiple aspects. It established China Unicom Strategic Cooperation Management System. So far, 137 group-level strategic cooperations have been established, effectively improving closed-loop execution capabilities and significantly facilitating the achievement of the Company's strategic goals.

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### **SOCIAL RESPONSIBILITY AND CORPORATE GOVERNANCE**

In recent years, the Company has shouldered its responsibilities as a central SOE in such major missions as Cyber Superpower, Digital China, technological innovation and rural revitalization. We made outstanding contributions in the communication support during major events as well as emergency communication, promoting the integration of corporate development into the sustainable development cycle of the economy, society and environment. The Company adhered to the concept of green development and supported achieve carbon peaking and carbon neutrality. The PUE of new-built large IDCs was less than 1.3. We built a digital village platform which served more than 250,000 administrative villages, and assisted people with communication barriers using 5G + AI. The Company addressed shareholder concerns, and actively conveyed the new development and new value of the Company to the market.

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. The Company attained a number of accolades, including being ranked 267<sup>th</sup> in the Fortune Global 500 for the year 2023, being ranked 277<sup>th</sup> 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

In the second half of the year, the Company will promote the synergetic development of both basic and innovative businesses. It will focus on improving its core competitiveness and core functions, and strive to achieve steady growth of service revenue, double-digit growth in net profit, and continuous improvement in ROE for the full year, so as to create greater value for shareholders, customers and the society, and make new and greater contributions to Chinese style modernisation via China Unicom's high-quality development.

Finally, the Board would like to express its 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 continuous efforts and contributions.

**The Board of Directors of  
China Unicom (Hong Kong) Limited**

Hong Kong, 9 August 2023

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: Return on equity = the profit attributable to equity shareholders of the Company in the period/ average balance of equity attributable to equity shareholders of the Company at the beginning and end of the period.

Note 3: Unicom Cloud revenue represents revenue generated from cloud resources, cloud platform, cloud services, cloud integration, cloud interconnection, cloud security, etc. by integrating innovative solutions.