

PERFORMANCE HIGHLIGHTS

Financial Highlights (RMB millions)	2022	2021	Change YoY
Operating Revenue	354,944	327,854	8.3%
Service Revenue ¹	319,348	296,153	7.8%
Of which: Industry Internet Revenue	70,458	54,779	28.6%
EBITDA ²	99,169	96,321	3.0%
Net Profit ³	16,745	14,368	16.5%
Basic EPS (RMB)	0.547	0.470	16.5%
Dividend per share ⁴ (RMB)	0.274	0.216	26.9%

¹ Service revenue = operating revenue – sales of telecommunications products

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

³ Net profit represented profit attributable to equity shareholders of the Company

⁴ The proposed 2022 final dividend of RMB0.109 per share is subject to approval by the shareholders at the annual general meeting. Together with the interim dividend of RMB0.165 per share already paid, total dividend for the year is RMB0.274 per share

INDUSTRY INTERNET REVENUE (RMB BIL)

2022 **70.5** \uparrow 29%

2021 **54.8** \uparrow 28%

2020 **42.7**

2019 **32.9**

UNICOM CLOUD¹ REVENUE (RMB BIL)

2022 **36.1** \uparrow 121%

2021 **16.3**

IoT REVENUE (RMB BIL)

2022 **8.6** \uparrow 42%

2021 **6.0**

BIG DATA REVENUE (RMB BIL)

2022 **4.0** \uparrow 58%

2021 **2.6**

¹ Unicom Cloud revenue included revenue of cloud resources, cloud platforms, cloud services, cloud integration, cloud interconnection, cloud security, etc., generated from integrated innovative solutions

BUSINESS OVERVIEW

2022 is the starting year for China Unicom to fully implement its new strategic plan. Adhering to the guidance of President Xi Jinping's Thought on Socialism with Chinese Characteristics in the new era, China Unicom resolutely implements the decision and deployment of the State Council. Sticking to its corporate positioning as the "national team in the operation and service of digital information infrastructure, key force in the establishment of Cyber Superpower, Digital China and Smart Society and frontline troop in the integration and innovation of digital technologies" and under the strategic guidance of "Strengthen and Solidify, Preserve and Innovate, Integrate and Open", the Company vigorously developed its five main responsibilities and main businesses, namely "Big Connectivity, Big Computing, Big Data, Big Application and Big Security", and steadily improved the effectiveness of the "1 + 9 + 3" strategic planning system, achieving a good start in the first year of the full implementation of its new strategy.



CHEN ZHONGYUE
Executive Director
and President

In terms of "Big Connectivity", China Unicom seized the development opportunities of "dual-gigabit" and "IoT connections exceeding human connections", and adhered to coordinated development in terms of quantity, quality, structure, and efficiency. Strategic positioning, policy design, and resource allocation were all working in the same directions to achieve value-based operation based on scale, compliant development based on quality, integrated development based on structure, and effective development based on efficiency. The Company fully promoted the value-based operation with terminal-network-business synergy around the integration development of all subscribers, and focused on increasing the scale and value of connectivity. By December 2022, the subscriber scale reached a new record, with a cumulative total of 860 million "Big Connectivity" subscribers and broadband subscribers crossing the 100 million historical mark. 5G package subscribers reached a cumulative total of 210 million. The Company launched the "Gewu" device management platform, delving into the two major fields of smart cities and industrial internet, providing customers with convenient and professional device management services. China Unicom was the first operator in the industry with IoT connections exceeding human connections, with the cumulative number of IoT terminal connections reaching 386 million.

In terms of "Big Computing", Unicom Cloud has been fully upgraded to version 7.0, with breakthroughs in core technologies. The core performance indicators of computing, storage and network were enhanced. The Company is the only operator that received excellent certification for its cloud-native container platform in financial scenarios. It successfully launched a self-developed operating system, CULinux, and a self-developed database. By deepening its "5 + 4 + 31 + X" cloud resource allocation and promoting further penetration of provincial nodes, the Company is gradually realising its deployment of computing power with one pool for one city. The new Unicom Cloud product system, which consists of industry cloud version, private cloud version and information technology innovation cloud version, comprehensively meets customers' needs for cloudification in all scenarios. The Company also supported the construction of digital government and smart city, provided technical support for pandemic prevention, and actively participated in the digital transformation of central state-owned enterprises.

In terms of "Big Data", the Company continued to upgrade its capabilities in integrated innovation of data, artificial intelligence, blockchain, consolidate its data governance, data security and data visualisation service capabilities, and improve its product system. The Company released the "Zizhi" Government Affairs Big Data Platform. 11 capabilities were included in the Data Governance Industry Map of the China Academy of Information and Communications Technology. In the fields of digital government, digital finance, smart culture and tourism, data security, etc., the Company has realised large-scale replication of provincial and municipal benchmark projects. China Unicom's Big Data business maintained rapid development, continuously led the industry in market share, and had the largest blockchain patent reserve among central state-owned enterprises.

BUSINESS OVERVIEW

In terms of “Big Applications”, the Company was committed to creating more diverse and user-friendly innovative products, deepening supply-side structural reform of products for individuals and households. China Unicom launched a 5G New Calling product series and constructed the “Unicom Smart Home” product system to bring new quality upgrade of experiences to its customers. China Unicom deeply implemented “one Unicom, integrated capability aggregation, and integrated operation service”. It focused on vertical industries and honed its specialised and innovative abilities. The Company has independently developed more than 200 products in 14 fields including digital government, smart city, industrial Internet and medical and healthcare, with new contract value of more than RMB10 billion for the year, more than the previous 3 years combined. Based on the 5GC 2B three-dimensional network architecture featuring “One cloud with extensive network coverage”, the Company continued its innovation

of 5G private network PLUS, and won the “Enterprise 5G Leadership Award” at the 19th 5G World Summit hosted by Informa Tech. Furthermore, the Company released the 5G Private Network Product System 3.0 and created 50 innovative application products to serve more than 3,800 industry private network customers, with more than 16,000 “commodity flat” projects of large-scale 5G application. Taking the construction of fully 5G-connected factories for industrial enterprises in key industries, including steel, mining and equipment manufacturing as a means, the Company penetrated into the construction of application in 20 scenarios across the industry, creating more than 1,600 fully 5G-connected factory projects. It has preliminarily achieved scale application in auxiliary production processes such as on-site auxiliary assembly and intelligent logistics in the factory, etc. and is penetrating into core application scenarios such as remote equipment control and flexible production and manufacturing.





In terms of “Big Security”, the Company leveraged the advantages of its basic network resources and four-level operation system to create a “cloud, network, data and service” integrated security product and operation service system. The Company launched “Mogong” security operation service platform and continuously upgraded Unicom Cloud Shield Anti-DDoS Pioneer, Large Network Situational Awareness and other advantageous products. The Company jointly created an industrial ecology and launched a security cloud market, thereby continuously meeting the diversified and scenario-based security needs of the government and large enterprises. China Unicom has provided services to more than 200 leading customers. In the provision of network security support services for major events such as the Beijing Winter Olympics, the National People’s Congress, and the 20th National Congress of the Communist Party of China, the Company achieved zero accident, zero mistake and zero complaint.

In terms of marketing strategies, the Company pursued coordinated development of quantity, quality, structure and efficiency, with an aim to realise scale-based value management, compliant development based on quality, integrated

development based on structure, and effective development based on efficiency. Firstly, the Company accelerated the development of “dual gigabit” in terms of scale, application and integration. It promoted 5G digital smart living to drive mobile business’s new advancement in scale and value, and promoted 1000M smart home to drive broadband business to achieve new heights in terms of scale and value. It revamped brand operations, enhanced the scale and value of connectivity, so as to secure a leading position in customer perception. Secondly, the Company accelerated the innovation of products and modes of computing-network integration, focused on the new supply of large-scale integration products for key businesses and markets, and strengthened the operation of Unicom APP. It drove the new upgrade of 2I2C products and marketing models supported by three gigabit, deepened the transformation of “platform + cloud network + X” model, and accelerated the iteration of platform functions. It accelerated the construction of key market products, touchpoint systems, marketing organizations and responsibility systems, leading and promoting innovative transformation of marketing models in segmented markets. Thirdly, the Company accelerated total integration based on fixed-line and mobile integration as well as

BUSINESS OVERVIEW

high-quality structural upgrade of subscribers, realising the deep integration of all factors including fixed-line and mobile, cloud network, terminal, application, finance and account. With the integration and mutual promotion of all professions and integrated development of online and offline touchpoints, the Company achieved new value through the in-depth operation of all customers.

In terms of marketing channels, the Company further constructed the OMO digital marketing service system and strived to promote the transformation to the all-factor integrated operation system for targeted market segments. Firstly, a marketing service organisation for segmented markets has been initially established: focusing on the targeted market segments, the Company restructured its marketing service organisational structure, upgrading the channel

management-oriented sales model to a new model of BU-based coordination involving multiple professions, so as to keep close to customers, integrate into the scenarios and drive the “platform + cloud network + X” marketing transformation. Secondly, physical channel deployment has been optimized by the dual revitalisation of channels and terminals: the Company actively implemented the plan for dual revitalisation of channels and terminals, focused on the construction of channel and terminal integration capabilities, enhanced the retail capabilities of terminal channels, and strengthened the cooperation with terminal manufacturers and outlets, so as to enable wider access of physical channels, keep close to customers and optimise channel deployment and structure. Thirdly, the Company made outstanding achievements in online and offline integration of five capabilities: it unified production tools to enable “one-screen handling”, unified order





scheduling to efficiently support front-line production, unified production delivery to significantly improve production efficiency, unified traffic aggregation to maximise the value of big data, and unified resource visualisation to realise the digital display of “3+2” grids.

In terms of network capabilities, with a focus on its five main responsibilities and main businesses, while pursuing moderate advancement, promoting use through construction and combining construction with use, the Company unwaveringly increased its investment to facilitate the construction of digital information infrastructure and accelerate the building of four premium networks of 5G, broadband, government and enterprise, and computing power. The Company made great efforts to enhance its core competitiveness, sustainable development capabilities and value creation capabilities, thereby promoting network quality to a new level and further laying a solid network foundation for the Company’s high-quality development.

As at the end of 2022, the Company had 1 million mid-band 5G base stations, 170,000 newly built 900M low-band base stations, and 2,276,000 4G base stations in operation, including 1,696,000 self-built 4G base stations and sharing 580,000 of China Telecom’s 4G base stations. 5/4G coverage in administrative villages reached 96%. As for the fixed-line network, the Company continued to expand network coverage in new regions and stepped up the network upgrade in PON + LAN areas. The total number of broadband access ports reached 250 million, of which FTTH ports accounted for 93.2%. The Company continued to optimise its international network deployment. As at the end of 2022, the international submarine cable capacity, international Internet outbound capacity and inbound bandwidth reached 79.5T, 5.96T and 4.83T, respectively. The Company’s international roaming services covered 626 operators in 260 countries and regions.

FINANCIAL OVERVIEW

OVERVIEW

In 2022, the Company firmly progressed to the Company's "1 + 9 + 3" strategic planning, total revenue was RMB354.94 billion in 2022, up by 8.3% year-on-year. Service revenue reached RMB319.35 billion, up by 7.8% year-on-year. Net profit¹ was RMB16.74 billion, up by RMB2.37 billion year-on-year.

In 2022, the Company's net cash flow from operating activities was RMB100.54 billion. Capital expenditure was RMB74.20 billion. Liabilities-to-assets ratio was 46.5% as at 31 December 2022.

REVENUE

In 2022, the Company's revenue was RMB354.94 billion, up by 8.3% year-on-year, of which, service revenue was RMB319.35 billion, up by 7.8% year-on-year due to continuous optimisation of the revenue mix.

SERVICE REVENUE (RMB BIL)

319.35

EBITDA² (RMB BIL)

99.17

INDUSTRY INTERNET BUSINESS SERVICE REVENUE (RMB BIL)

70.46

The table below sets forth the composition of service revenue, and the percentage contribution of each service to total service revenue for the years of 2022 and 2021:

(RMB in billions)	2022		2021	
	Total amount	As a percentage of service revenue	Total amount	As a percentage of service revenue
Service revenue	319.35	100.0%	296.15	100.0%
Include: Basic business	248.89	77.9%	241.37	81.5%
Industry Internet business	70.46	22.1%	54.78	18.5%

Basic Business

In 2022, service revenue from basic business was RMB248.89 billion, up by 3.1% year-on-year.

Industry Internet Business

In 2022, service revenue from Industry Internet business was RMB70.46 billion, up by 28.6% year-on-year.

FINANCIAL OVERVIEW

COSTS AND EXPENSES

In 2022, total costs and expenses amounted to RMB342.60 billion, up by 8.0% year-on-year.

The table below sets forth the items of the costs and expenses and their respective percentage of the revenue for the years of 2022 and 2021:

(RMB in billions)	2022		2021	
	Total amount	As a percentage of revenue	Total amount	As a percentage of revenue
Operating costs	342.60	96.5%	317.18	96.7%
Include: Interconnection charges	10.95	3.1%	11.56	3.5%
Depreciation and amortisation	86.83	24.4%	85.65	26.1%
Network, operation and support expenses	56.42	15.9%	53.09	16.2%
Employee benefit expenses	60.72	17.1%	58.94	18.0%
Include: salaries under employment contract	40.85	11.5%	39.75	12.1%
Costs of telecommunications products sold	34.72	9.8%	30.68	9.4%
Selling and marketing expenses	34.46	9.7%	32.21	9.8%
General, administrative and other operating expenses	58.50	16.5%	45.05	13.7%

Interconnection charges

The interconnection charges were RMB10.95 billion in 2022, down by 5.3% year-on-year and, as a percentage of revenue, changed from 3.5% in 2021 to 3.1% in 2022.

Depreciation and amortisation

Depreciation and amortisation charges were RMB86.83 billion in 2022, up by 1.4% year-on-year and, as a percentage of revenue, changed from 26.1% in 2021 to 24.4% in 2022.

Network, operation and support expenses

The Company expanded the scale of the basic network and relevant infrastructure. Network, operation and support expenses were RMB56.42 billion in 2022, up by 6.3% year-on-year and, as a percentage of revenue were basically stable, changed from 16.2% in 2021 to 15.9% in 2022.

Employee benefit expenses

The Company continued to optimise the operating results assessment to strengthen performance, effectiveness and the recruitment of innovative talents, employee benefit expenses were to RMB60.72 billion in 2022, up by 3.0% year-on-year and, as a percentage of revenue, changed from 18.0% in 2021 to 17.1% in 2022.

Cost of telecommunications products sold

Costs of telecommunications products sold were RMB34.72 billion and revenue from sales of telecommunications products were RMB35.59 billion in 2022. Gross profits on sales of telecommunications products was RMB0.87 billion.

Selling and marketing expenses

With the Company fully strengthening digital empowerment and accelerating O2O integrated operation development, selling and marketing expenses were RMB34.46 billion in 2022, up by 7.0% year-on-year and, as a percentage of revenue, decreased from 9.8% in 2021 to 9.7% in 2022.

General, administrative and other operating expenses

General, administrative and other operating expenses were RMB58.50 billion in 2022, up by 29.9% year-on-year, mainly due to the rapid growth of the Industry Internet business leading to increased related service costs.

FINANCIAL OVERVIEW

EARNINGS

(RMB in billions)	2022	2021	Change
	Total amount	Total amount	
Operating profits	12.34	10.67	15.7%
Net interest income/(finance costs)	0.66	-0.17	N/A
Share of net profit of associates	2.15	1.86	15.6%
Share of net profit of joint ventures	1.59	1.45	10.0%
Other income-net	3.85	4.12	-6.5%
Profit before income tax	20.59	17.93	14.8%
Income tax expenses	3.75	3.42	9.6%
Profit for the year	16.74	14.37	16.5%

Profit before income tax

In 2022, the Company benefited from continuous enhancement in growth quality and profitability, profit before income tax was RMB20.59 billion, up by 14.8% year-on-year.

Income tax expenses

In 2022, the Company's income tax expenses was RMB3.75 billion and the effective tax rate was 18.2%.

Profit for the year

In 2022, the Company's net profit¹ was RMB16.74 billion, increased by RMB2.37 billion year-on-year. Basic earnings per share was RMB0.547, up by 16.5% year-on-year.

COMMITTED TO
SHARING THE
FRUITS OF THE
COMPANY'S
LONG-TERM
DEVELOPMENT WITH
SHAREHOLDERS



EBITDA²

In 2022, the Company's EBITDA was RMB99.17 billion, up by 3.0% year-on-year. EBITDA as a percentage of service revenue was 31.1%, down by 1.4 percentage points year-on-year.

CAPITAL EXPENDITURE AND CASH FLOW

In 2022, capital expenditure of the Company totaled RMB74.20 billion, which mainly consisted of investments in mobile network, household internet and fixed-line voice, government, enterprise and innovative business etc. In 2022, the Company's net cash flow from operating activities was RMB100.54 billion. Free cash flow³ was RMB26.34 billion after the deduction of the capital expenditure.

The table below sets forth the major items of the capital expenditure in 2022:

(RMB in billions)	2022	
	Total expenditure	As percentage
Total	74.20	100.0%
Include: Mobile network	26.41	35.6%
Household internet and fixed-line voice	8.76	11.8%
Government, enterprise and innovative business	14.12	19.0%
Transmission network, infrastructure and others	24.91	33.6%

BALANCE SHEET

The Company's total assets changed from RMB591.08 billion as at 31 December 2021 to RMB642.66 billion as at 31 December 2022. Total liabilities changed from RMB257.64 billion as at 31 December 2021 to RMB299.13 billion as at 31 December 2022. The liabilities-to-assets ratio changed from 43.6% as at 31 December 2021 to 46.5% as at 31 December 2022. The debt-to-capitalisation ratio increased from 9.7% as at 31 December 2021 to 14.3% as at 31 December 2022. The net debt-to-capitalisation ratio was 0.5% as at 31 December 2022.

Note 1: Net profit represented profit attribute to equity shareholders of the Company.

Note 2: EBITDA represents profit for the year before finance costs, interest income, shares of net profit of associates, share of net profit of joint ventures, other income-net, income tax expense, 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: 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.