

# PERFORMANCE HIGHLIGHTS

Financial Highlight (RMB billions)	2023	2022	Change YoY
Operating Revenue	372.60	354.94	5.0%
Service Revenue	335.17	319.35	5.0%
Of which: Connectivity and Communications business revenue <sup>1</sup>	244.58	237.25	3.1%
Computing and Digital Smart Applications business revenue <sup>2</sup>	75.25	66.66	12.9%
EBITDA <sup>3</sup>	99.81	99.17	0.6%
Net Profit <sup>4</sup>	18.73	16.74	11.8%
Basic EPS (RMB)	0.612	0.547	11.8%
Dividend per share <sup>5</sup> (RMB)	0.3366	0.274	22.8%

Note 1: Connectivity and Communications business encompasses mobile connectivity, broadband connectivity, TV connectivity, leased line connectivity, communications services as well as information services.

Note 2: Computing and Digital Smart Applications business encompasses Unicom Cloud, data centre, system integration, data services, digital smart applications as well as cybersecurity.

Note 3: 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 4: Net profit represented profit attributable to equity shareholders of the Company.

Note 5: The proposed 2023 final dividend of RMB0.1336 per share is subject to approval by the shareholders at the annual general meeting. Together with the interim dividend of RMB0.203 per share already paid, total dividend for the year is RMB0.3366 per share.

## UNICOM CLOUD<sup>1</sup> REVENUE (RMB BIL)



## DATA SERVICE REVENUE (RMB BIL)



## DIGITAL SMART APPLICATIONS REVENUE (RMB BIL)



## CYBERSECURITY REVENUE (RMB BIL)



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

In 2023, China Unicom adhered to the principle of serving the people, focused on the primary task of high-quality development. It continuously deepened business integration, market convergence, and the fusion of capabilities and intelligence. The Company's operation remained stable with progress, and its business revenue maintained rapid growth. The subscriber scale reached a new high in recent years, with 333 million mobile billing subscribers in 2023, and accumulative net addition of 10.60 million. The fixed-line broadband subscriber scale reached 113 million, with accumulative net addition of 9.79 million. China Unicom's brand influence continued to expand. In a brand-building capabilities benchmark against central state-owned enterprises (CSEs), it ranked fourth among them and first in the telecommunications industry.

**The stabilising effect of Connectivity and Communications business became more prominent. Firstly, the Company accelerated the promotion of new and existing subscribers to 5G, gigabit, and integrated services.** In terms of 5G, the Company continued to promote network-business-access alignment, and accelerated the upgrade to 5G devices for network access and the migration from 3G. Regarding gigabit services, the Company adhered to the drivers of 1000 Mbps broadband and FTTR, aiming to enhance customer perception through high-speed networks, and carried out initiatives such as achieving gigabit benchmarks and enabling gigabit communities. For integrated services, the Company promoted comprehensive integration of scale and value, improving the overall perception of communication services in households, and achieving breakthroughs in scale and value as a whole. **Secondly, the Company continued to enhance the provision of new digital smart living and smart home applications,** reshaping voice services and SMS services, and creating new experiences in communication services. The Company

established product lines that integrated technology innovation, cloud networking, terminal devices, and data, focusing on customer and market needs. In 2023, the Company's cloud computer officially achieved commercialisation, and the information application products like video ringtones, Unicom Cloud Drive, and smart homes generated revenues over RMB10 billion. **Thirdly, the scale of Internet of Things (IoT) business maintained steady growth,** with a total of 490 million IoT connections. Among them, the net addition of 5G connections led the industry. The scale of Cat.1 connections reached 130 million. The Company's market share in Internet of vehicles continued to stay ahead in the industry. **Fourthly, the Company upgraded the 5G "empowerment engine", empowering thousands of industries with intelligence and value.** The Company developed a total of 30,000 commercial 5G application projects, covering 71 major categories of the national economy. The customer scale continued to expand, and the cumulative number of customers served by the virtual 5G industry private networks exceeded 8,500.

## BUSINESS OVERVIEW

**The development capabilities of Computing and Digital Smart Applications (CDSA) business have been continuously strengthened. Firstly, in terms of computing power services,** Unicom Cloud’s cloud resource pool experienced rapid growth and accomplished the deployment of “one resource pool per city”. In key areas such as government clouds and CSEs’ cloudification, the Company newly added over 100 benchmark projects of private clouds. **Secondly, in terms of cloud data centres,** China Unicom achieved leading growth within the IDC industry. **Thirdly, in terms of data services,** the Company’s total revenue from Big Data grew rapidly, and its market share maintained industry leading for five consecutive years. The Company’s data services capabilities passed DCMM level 5 assessment. Its integration of technologies such as blockchain and homomorphic encryption achieved cross-domain networking and reduced storage by 30%. The performance of the underlying platform has surpassed 20,000 transactions per second (TPS). **Fourthly, in terms of digital smart applications,** regarding IoT, China Unicom launched

the world’s first 5G RedCap commercial module. The Company’s “Gewu” device management platform is capable of supporting tens of millions of concurrent connections, and its advantages in scenario-based object models have empowered key industry customers in their digital transformation and upgrade, creating benchmark projects in various sectors. Regarding artificial intelligence (AI), China Unicom constructed an independent and innovative AI infrastructure, developing large language models and CDSA products for fields such as government affairs and the economy. These efforts have comprehensively empowered the implementation of over 30 scenario applications such as factories and industrial manufacturing parks. **Fifthly, in terms of cyber information security,** China Unicom relied on the “Mogong” security operation service platform, utilising its capabilities in large-scale network situational awareness to develop an operation service model integrating “Terminal-Network-Cloud-Data-Service”. In areas such as digital government and CSEs, China Unicom newly added over 50 new model cases.



The high-quality network capability continuously improved. Firstly, China Unicom took full responsibility for building Cyber Superpower and Digital China, accelerating the construction of a comprehensive intelligent digital infrastructure characterised by high-speed ubiquitous connectivity, integration across space and ground, cloud-network convergence, intelligence and agility, green and low-carbon features, as well as security and controllability. The Company continuously promoted the construction of mobile premium networks, broadband premium networks, and government & enterprise premium networks, establishing a solid CDSA capabilities foundation. The Company focused on enhancing its core competitiveness, sustainable development capacity, and value creation ability, driving the network quality to a new level and further building a solid network foundation for China Unicom's high-quality development. By the end of 2023, there were over 1.21 million 5G mid-band shared base stations, 680,000 900MHz low-band base stations, and over 2.90 million available 4G base stations. The coverage rate of 5G/4G in administrative villages

reached 98%. Secondly, the Company continuously promoted the coverage of gigabit optical networks, with over 260 million broadband ports and the proportion of 10GPON ports exceeding 70%. Thirdly, the Company actively built a multi-level computing power supply. By combining national Eastern Data and Western Computing strategy, along with China Unicom's "5+4+31+X" computing resource deployment, the Company improved its multi-level architecture. China Unicom's computing centres covered eight major hubs and 31 provinces, with over 400,000 data centre cabinets. The resource deployment of a thousand cabinets was completed in 29 provinces, and over 230 cities were covered by backbone cloud pools. The number of MEC nodes exceeded 600. Fourthly, The Company continuously improved the international network deployment. By the end of 2023, the international submarine and land cable resource capacity reached 88T, Internet international interconnection capacity 7.63T and inbound bandwidth 5.59T. International roaming covered 643 operators in 264 countries and regions.



# FINANCIAL OVERVIEW

## OVERVIEW

In 2023, the Company fully implemented the new development philosophies, fully assumed the two main responsibilities of building a Cyber Superpower and Digital China, and focused on the two main businesses of Connectivity and Communications and Computing and Digital Smart Applications, total revenue was RMB372.60 billion in 2023, up by 5.0% year-on-year. Service revenue reached RMB335.17 billion, up by 5.0% year-on-year. The profit attributable to equity shareholders of the Company was RMB18.73 billion, up by 11.8% year-on-year.

In 2023, the Company's net cash flow from operating activities was RMB102.39 billion. Capital expenditure was RMB73.87 billion. Liabilities-to-assets ratio was 46.5% as at 31 December 2023.

## SERVICE REVENUE (RMB BIL)

335.17



## REVENUE

In 2023, the Company's revenue was RMB372.60 billion, up by 5.0% year-on-year, of which, service revenue was RMB335.17 billion, up by 5.0% year-on-year due to continuous optimisation of the revenue mix.

The table below sets forth the Company's service revenue of the two main types of business for the years of 2023 and 2022:

(RMB in billions)	2023		2022	
	Total amount	Mix proportion	Total amount	Mix proportion
Connectivity and Communications business revenue	244.58	76.5%	237.25	78.1%
Computing and Digital Smart Applications business revenue	75.25	23.5%	66.66	21.9%

### Connectivity and Communications business revenue

In 2023, service revenue from Connectivity and Communications business was RMB244.58 billion, up by 3.1% year-on-year.

### Computing and Digital Smart Applications business revenue

In 2023, service revenue from Computing and Digital Smart Applications business was RMB75.25 billion, up by 12.9% year-on-year.

## CONNECTIVITY AND COMMUNICATIONS BUSINESS REVENUE

(RMB BIL)

244.58

## COMPUTING AND DIGITAL SMART APPLICATIONS BUSINESS REVENUE

(RMB BIL)

75.25

## FINANCIAL OVERVIEW

**OPERATING COSTS**

In 2023, total operating costs amounted to RMB357.63 billion, up by 4.4% year-on-year.

The table below sets forth the items of the operating costs and the changes in their respective percentage of the revenue for the years of 2023 and 2022:

(RMB in billions)	2023		2022	
	Total amount	As a percentage of revenue	Total amount	As a percentage of revenue
<b>Operating costs</b>	<b>357.63</b>	<b>96.0%</b>	342.60	96.5%
Include: Interconnection charges	11.29	3.0%	10.95	3.1%
Depreciation and amortisation	84.85	22.8%	86.83	24.4%
Network, operation and support expenses	60.03	16.1%	56.42	15.9%
Employee benefit expenses	62.94	16.9%	60.72	17.1%
Include: salaries under employment				
contract	41.28	11.1%	40.85	11.5%
Costs of telecommunications products sold	36.40	9.8%	34.72	9.8%
Selling and marketing expenses	35.83	9.6%	34.46	9.7%
Cost of Computing and Digital Smart				
Applications business <sup>1</sup>	40.08	10.8%	31.79	9.0%
General and administrative expenses <sup>2</sup>	5.53	1.5%	5.15	1.5%
Other operating expenses	20.68	5.6%	21.56	6.1%



**Interconnection charges**

The interconnection charges were RMB11.29 billion in 2023, up by 3.2% year-on-year and, as a percentage of revenue, decreased from 3.1% in 2022 to 3.0% in 2023.

**Depreciation and amortisation**

Mainly benefiting from the Company's good control of capital expenditure and network "co-build co-share" in recent years, depreciation and amortisation charges were RMB84.85 billion in 2023, down by 2.3% year-on-year and, as a percentage of revenue, decreased from 24.4% in 2022 to 22.8% in 2023.

**Network, operation and support expenses**

As the Company expanded the scale of the basic network and relevant infrastructure, network, operation and support expenses were RMB60.03 billion in 2023, up by 6.4% year-on-year and, as a percentage of revenue, increased from 15.9% in 2022 to 16.1% in 2023.

**Employee benefit expenses**

The Company ongoing effort in incentive mechanism reforms, strengthen performance-based compensation and optimised the human resources efficiency, employee benefit expenses were RMB62.94 billion in 2023, up by 3.6% year-on-year and, as a percentage of revenue, decreased from 17.1% in 2022 to 16.9% in 2023.

**Cost of telecommunications products sold**

Costs of telecommunications products sold were RMB36.40 billion and revenue from sales of telecommunications products were RMB37.43 billion in 2023. Gross profits on sales of telecommunications products was RMB1.03 billion.

**Selling and marketing expenses**

The Company appropriately increased selling and marketing expenses to enhance market attractiveness, selling and marketing expenses were RMB35.83 billion in 2023, up by 4.0% year-on-year and, as a percentage of revenue, decreased from 9.7% in 2022 to 9.6% in 2023.

**Cost of Computing and Digital Smart Applications business<sup>1</sup>**

The Company seized the growth opportunities of the digital economy and continued to develop the Computing and Digital Smart Applications business, cost of Computing and Digital Smart Applications business were RMB40.08 billion in 2023, up by 26.1% year-on-year and, as a percentage of revenue, increased from 9.0% in 2022 to 10.8% in 2023.

**General and administrative expenses<sup>2</sup>**

General and administrative expenses were RMB5.53 billion in 2023, up by 7.3% year-on-year and, as a percentage of revenue was basically the same as 1.5%.

**Other operating expenses**

Other operating expenses were RMB20.68 billion in 2023, down by 4.1% year-on-year and, as a percentage of revenue, decreased from 6.1% in 2022 to 5.6% in 2023.

## FINANCIAL OVERVIEW

## EARNINGS

	2023	2022	
(RMB in billions)	Total amount	Total amount	Change
Operating profits	14.97	12.34	21.3%
Net interest income	0.12	0.66	-80.9%
Share of net profit of associates	2.52	2.15	17.0%
Share of net profit of joint ventures	1.80	1.59	13.2%
Other income-net	3.53	3.85	-8.2%
Profit before income tax	22.95	20.59	11.5%
Income tax expenses	4.02	3.75	7.3%
Profit for the year	18.92	16.84	12.4%
Include: the profit attributable to equity shareholders of the Company	18.73	16.74	11.8%

**Profit before income tax**

In 2023, the Company benefited from continuous enhancement in growth quality and profitability, profit before income tax was RMB22.95 billion, up by 11.5% year-on-year.

**Income tax expenses**

In 2023, the Company's income tax expenses was RMB4.02 billion and the effective tax rate was 17.5%.

**The profit attributable to equity shareholders of the Company**

In 2023, the profit attributable to equity shareholders of the Company was RMB18.73 billion, up by 11.8% year-on-year. Basic earnings per share was RMB0.612, up by 11.8% year-on-year.

### EBITDA<sup>3</sup>

In 2023, the Company's EBITDA was RMB99.81 billion, up by 0.6% year-on-year. EBITDA as a percentage of service revenue was 29.8%, down by 1.3 percentage points year-on-year, and the decline of EBITDA as a percentage of service revenue narrowed by 0.1 percentage point year-on-year.

### CAPITAL EXPENDITURE AND CASH FLOW

In 2023, capital expenditure of the Company totaled RMB73.87 billion. Investments focus on the main responsibilities and businesses; the scale of investment matches the business growth and cash position.

In 2023, the Company's net cash flow from operating activities was RMB102.39 billion. Free cash flow<sup>4</sup> was RMB28.52 billion after the deduction of the capital expenditure.

### BALANCE SHEET

The Company's total assets increased from RMB642.66 billion as at 31 December 2022 to RMB661.05 billion as at 31 December 2023. Total liabilities increased from RMB299.13 billion as at 31 December 2022 to RMB307.15 billion as at 31 December 2023. The liabilities-to-assets ratio was 46.5% as at 31 December 2023, basically the same as last year. The debt-to-capitalisation ratio decreased from 14.3% as at 31 December 2022 to 11.6% as at 31 December 2023. The net debt-to-capitalisation ratio was -0.3% as at 31 December 2023.

Note 1: Cost of Computing and Digital Smart Applications business excludes the cost of data centre business.

Note 2: General and administrative expenses excludes staff costs and depreciation.

Note 3: 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 4: 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 5: Connectivity and Communications business revenue is the sum of relevant amounts in various types of service revenue, including voice usage and monthly fees RMB21.21 billion, broadband and mobile data services RMB154.75 billion, data and internet application services RMB14.39 billion, other value-added services RMB29.19 billion, transmission lines usage and associated services RMB22.67 billion and other services RMB2.37 billion.

Computing and Digital Smart Applications business revenue consists of service revenue related to data and internet application services RMB75.25 billion.

In addition to the above two business revenue, other business service revenue was RMB15.34 billion. Details of the disaggregation of service revenue, please refer to Note 6 of the consolidated financial statements.