



China Unicom (Hong Kong) Limited

2023 Annual Results Announcement Presentation Transcript

Slide 1:

- Ladies and gentlemen, good afternoon.
- I am Meng Shusen. It is a great pleasure to meet all of you again today, and I would like to express my heartfelt gratitude for your long-term care and support for China Unicom.
- On behalf of the Company's management team, I warmly welcome you to China Unicom's 2023 results presentation.
- Today's presentation will consist of two parts. Firstly, there will be a speech by the Chairman, and then there will be a Q&A session between our management team and the investors present today. During the Q&A session, the management team will only address questions related to the scope of the results announcement.
- If there are any unanswered questions due to time constraints, our investor relations department will follow up after the presentation.
- This presentation will be conducted in Mandarin with English simultaneous interpretation. Please set your phones to vibration mode or switch them off during the presentation.
- The management team always attach great importance to interacting with investors. Allow me to introduce the members of the board of directors and the management team attending today's presentation. They are Mr. Chen Zhongyue (Chairman and CEO), Mr. Wang Junzhi (Executive Director), Mr. Liang Baojun (Senior Vice President), and Ms. Li Yuzhuo (Executive Director and CFO).
- Now, let's invite Chairman Chen to present the Company's 2023 annual results. Please welcome Chairman Chen.

Speaker: Mr. Chen Zhongyue, Chairman and CEO

Slide 3: Overall Results

- Dear investors, ladies and gentlemen, good day! Welcome to today's results announcement. We sincerely appreciate your ongoing care and support for China Unicom.
- In 2023, China Unicom achieved another record-high in operating results.
- Firstly, we saw steady growth in revenue, with operating revenue increasing 5% to RMB 372.6 billion.
- Secondly, our profitability improved rapidly, with a double-digit growth in profit before tax. It grew by 11.5% to RMB 22.9 billion.
- Thirdly, investment returns significantly increased, and our return on equity reached a nine-year high.

Slide 4: Main Responsibilities and Main Businesses

- The above achievements were mainly attributed to the Company's focus on two main responsibilities of building a Cyber Superpower and Digital China, expansion of our two main businesses of Connectivity and Communications (CC) and Computing and Digital Smart Applications (CDSA), and the deepening and refinement of the Company's strategy.
- Next, I will report on the development of our two main businesses: CC and CDSA.

Slide 5: Connectivity and Communications (CC)

- CC includes six sub-segments: mobile connectivity, broadband connectivity, TV connectivity, leased line connectivity, communication services, and information services.
- In 2023, CC business made steady progress, accounting for about three-quarters of the Company's service revenue.
- Currently, our CC subscriber base has exceeded 1 billion.

Slide 6: Mobile Connectivity

- Specifically, mobile connectivity showed improvement in both scale and quality. The net addition of mobile subscribers reached 10.6 million, a year-on-year growth of 90%, with a total of 333 million mobile connectivity subscribers.
- The subscriber structure continued to optimise, with 5G penetration rate increasing 12 percentage points to 78%.
- The scale of IoT connections approached 500 million, of which mid- and high-speed connections accounted for over 90%.

Slide 7: Broadband Connectivity

- Broadband connectivity achieved breakthrough in scale. The Company continuously built a reputation for gigabit services, and the net addition of broadband subscribers reached a new high in nearly a decade. Total broadband subscribers reached 113 million.
- The subscriber structure significantly improved, with the broadband-mobile integration penetration rate reaching 76%, and the gigabit broadband subscribers penetration rate increasing by 6 percentage points to 22%.
- Driven by the growth in broadband subscriber scale, our TV connectivity business grew rapidly, with the total number of IPTV subscribers exceeding 47 million, and the penetration rate of TV services among broadband subscribers reaching 42%.

Slide 8: Information Services

- Communication services saw growth in both business volume and revenue. Information services experienced rapid growth.
- The Company continuously improved the "platform + cloud network + application" development model and enriched innovative information application products. Communication services revenue exceeded RMB 10 billion.
- The number of paying subscribers for Personal Digital and Smart Living and Unicom Smart Home businesses reached a hundred million respectively.

Slide 9: Computing and Digital Smart Applications (CDSA)

- CDSA business includes Unicom Cloud, data centre, system integration, data services, digital smart applications, and cybersecurity.
- CDSA showed positive progress in 2023, accounting for approximately one-quarter of the Company's service revenue and contributing over half of the incremental revenue of the Company.

Slide 10: Unicom Cloud

- Specifically, Unicom Cloud maintained strong growth momentum, with revenue growing 41.6% year-on-year to RMB 51 billion. Unicom Cloud empowered digital transformation across various industries, serving 21 national ministry-level projects, building 19 provincial government clouds, and implementing over 1,000 medical cloud projects.
- Additionally, we accelerated our deployment in artificial intelligence, establishing a "1+N+X" AI computing capability system and a "1+1+M" Yuanjing AI LLM system.

Slide 11: Data Services

- We are committed to innovative integration of Big Data and AI technologies, and our data services continued to lead the market.
- We passed the highest-level data management certification with the highest score and maintained a market share of over 50% for several consecutive years.
- We provided comprehensive services for government affairs digital transformation, establishing 15 provincial government Big Data platforms and serving over 800 smart cities at the county level.

Slide 12: Digital Smart Applications

- The ecosystem of digital smart applications is thriving. Related revenue reached RMB 5.6 billion, representing a 17.5% growth.
- We made every effort to promote the multidimensional and deep transformation of traditional industries through digital technologies. 5G applications covered 71 categories of the national economy, and the number of 5G private network service customers reached 8,563.
- We continuously improved our proprietary R&D capabilities. 32 professional and specialised products generated revenue of over RMB 100 million. The new contract value of self-developed product projects reached RMB 16 billion.

Slide 13: Cybersecurity

- Cybersecurity business doubled, with a 120% growth in revenue.
- Focusing on key areas such as network security, data security, and information security, we strengthened the deployment of cybersecurity business. We established the first mega-city digital security operation centre in China and the industry's first anti-fraud centre, continuously enhancing our basic capabilities.
- Based on the "Mogong" platform, we provided security operation services comprised of "platform + components + services" to over 10,000 customers.

Slide 14: International Business

- Our international business showed decent momentum. The total revenue from international business reached RMB 10.8 billion, up by 15% year-on-year.
- We are dedicated to building robust, accessible, and secure high-quality international infrastructure. The length of international submarine cables reached 660,000 kilometers, and we had close to 10,000 cabinets in overseas data centre capacity.
- We provided high-quality services to “One Belt, One Road” countries. Our 36 global branches served over 200 countries and regions.

Slide 15: CAPEX

- As a key measure to enhance network capabilities under the "More, Faster, Better, and Cheaper" initiative, network co-build co-share achieved remarkable results.
- The term "More" refers to the rapid expansion of network scale, with over 3.21 million shared 5G and 4G base stations, leading the world in terms of network coverage.
- The term "Faster" refers to efficiency in network construction, as a nationwide network covering counties and above was established in less than three years for 5G, compared to five years for 4G.
- The term "Better" refers to innovation. The co-build co-share project overcame a series of world-class challenges and won the National Quality Engineering Gold Award, establishing an industry benchmark for new infrastructure construction.
- The term "Cheaper" refers to the returns. Through co-build co-share, we saved RMB 39 billion in annual OPEX and RMB 340 billion in cumulative CAPEX.
- Thanks to co-build co-share and targeted investments, our capital expenditure in 2023 reached RMB 73.9 billion, and network investment has shown an inflection point.

Slide 16: Technological Innovation

- The Company accelerated and strengthened technological innovation. We further advanced research on core technologies, led 40 international standardisation projects, undertook 12 national key research topics, and achieved breakthroughs in 11 critical technological fields.
- We also intensified talent cultivation efforts and now have a team of over a thousand high-level scientific and technological talents, including leading talents and specialised experts. The Company's technological innovation personnel ratio reached 40%.

Slide 17: ESG

- Our ESG performance is outstanding. We are committed to promoting green development. We leveraged integrated innovation of digital technologies to support the construction of Beautiful China.
- We fulfilled our social responsibilities by actively participating in communication support, emergency response and disaster relief, and reform initiatives.
- We strived to improve corporate governance, enhance operational efficiency, and actively convey the Company's new development and value to the market.

Slide 18: Dividend

- In 2023, the Company's dividend per share reached RMB 0.3366.
- While achieving steady growth in revenue and profits and maintaining sustainable and high-quality development, we are committed to sharing the fruits of growth with shareholders. The cash dividend payout ratio reached a historical high of 55%.
- Based on today's stock price, our dividend yield exceeds 6.5%.

Slide 19: 2024 Outlook

- In 2024, we will persist in seeking progress while maintaining stability. We will deeply implement the strategy of building a strong enterprise with technology to develop new quality productivity;
- building a strong enterprise with talents to stimulate organizational innovation;
- building a strong enterprise with reform to enhance core competitiveness;
- building a strong enterprise with digital intelligence to create growth drivers;
- building a strong enterprise with brand to increase social influence.
- We will systematically promote the four development action plans: "Connectivity Communications, Computing Network Integration, Digital Smart Applications, and Internationalisation" and focus on two innovation action plans: "Big Data and Artificial Intelligence". We will continue to consolidate the three foundations of "Digital New Infrastructure, High Quality Services, and Cybersecurity" to accelerate becoming a world-class technology service company with global competitiveness.

Slide 20: 2024 Guidance

- In 2024, the Company is confident in maintaining stable growth in operating revenue and double-digit growth in profit before tax.
- With the shift of investment focus from stable CC to high-growth CDSA, we expect the CAPEX to be around RMB 65 billion, representing a further reduction of over 10% compared to 2023. The investment in CC will significantly decrease, while the investment in CDSA will be appropriately brought forward and its deployment will be strengthened.

Slide 24: Thank You

- Once again, we sincerely thank you all for your care and support of China Unicom. The Company will continue to enhance its core competitiveness and strive to create greater value for shareholders, customers, and society through high-quality development!
- Thank you all!

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Forward-Looking Statements

Certain statements contained in this presentation may be viewed as “forward-looking statements”. Such forward-looking statements are subject to known and unknown risks, uncertainties and other factors, which may cause the actual performance, financial condition or results of operations of the Company to be materially different from any future performance, financial condition or results of operations implied by such forward-looking statements. In addition, we do not intend to update these forward-looking statements. Neither the Company nor the directors, employees or agents of the Company assume any liabilities in the event that any of the forward-looking statements does not materialise or turns out to be incorrect.

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