



China Unicom (Hong Kong) Limited

2021 Annual Results Announcement Presentation Transcript

Slide 3

- Good day, ladies and gentlemen. I am Li Yuzhuo, Board Secretary and Financial Controller of Unicom A-Share Company.
- Welcome to China Unicom's 2021 annual results announcement. Due to the pandemic, the meeting will be conducted via teleconferencing. Although we are not able to meet everyone in person, but we can still truly feel your enthusiasm and interest in the Company's development while overcoming the impact of the epidemic. Thank you very much for your support!
- You may also watch a short video of the Company's results hosted by "Xiaomeng", the Company's Winter Olympics mascot, and China Unicom virtual character, on Unicom A-share Company's website.
- Today with us on the line are Mr. Liu Liehong, Chairman and CEO of the Company, Mr. Chen Zhongyue, Executive Director and President, Mr. Wang Junzhi, Executive Director, Mr. Wu Xiaogen, Executive Director, Mr. Mai Yanzhou, Senior Vice President and Mr. He Biao, Senior Vice President.
- Now, let's invite Chairman Liu to talk about our 2021 annual results.

Speaker: Mr. Liu Liehong, Chairman and CEO

Slide 4: New Beginning: Steady Growth in Revenue and Profit

- Good afternoon, ladies and gentlemen.
- It is my great pleasure to gather around with you all on cloud virtually, where we are going to witness together the new development of China Unicom. First of all, on behalf of China Unicom, I would like to welcome all our media friends to join our press conference today. I would also like to send our gratitude and gracious regards to everyone who has been supporting the development of our Company throughout the years.
- 2021 is the beginning year of the "14th Five-Year Plan". It is also a critical year for the Company to upgrade its strategy and open up the path to a new journey.
- Over the year, the business momentum of the Company has exhibited a gradual but uplifting progression. Our revenue and profit have grown steadily, and hence, yielding a favorable beginning for the "14th Five-Year Plan". In 2021, the total revenue of the Company reached RMB 327.9 billion, representing an increase of 7.9 percent year-on-year. Service revenue reached RMB 296.2 billion, representing an increase of 7.4 percent year-on-year, which is notably an eight-year high. In particular, the Company's revenue growth rate started to accelerate in the second half of 2021 and service revenue growth surpassed the industry average in the fourth quarter of 2021. The net profit attributable to the parent company increased by 14.2 percent year-on-year. Alongside the acceleration of our revenue and profit growth, the shareholders' returns continued to improve.

Slide 5: New Opportunities: Huge Potential in Digital Economy

- Over the year, digital technologies and the digital economy were developing rapidly, which has set the paradigm for operators to reshape their strategic directions and development paths.
- From a national perspective, digital economy has already been escalated to a national strategic level as reflected in the “Cyber Superpower Strategic Implementation Outline”, “Digital Economy Development Strategic Outline” and “14th Five-year New Infrastructure Development Planning”. The government is also strongly promoting the state projects of “Dual-gigabit Network Development” and “Eastern Data, Western Computing”.
- From the perspective of industry trends, the pace of development as well as the breadth and depth of the influence of digital economy are unprecedented. Also, the massive data interactions and multi-dimensional application scenarios in China have accelerated the innovation and sharing of “network, cloud, data, AI, security, edge and terminals”. It imposes tight requirements on the construction and operation of new digital information infrastructure, and provides a broader space for operators to go beyond the traditional physical connections and to break through the bottlenecks of traditional growth.

Slide 6: New Journey: Total Strategy Upgrade

- Over the year, the Company actively adapted to the above-mentioned new changes and new opportunities. We have comprehensively upgraded the Company's strategy in order to enter fully the new blue ocean of the digital economy. We have also upgraded our positioning to “the national team in the operation and service of digital information infrastructure, the key force in the establishment of Cyber Superpower, Digital China and Smart Society, and the frontline troop in the integration and innovation of digital technologies”.
- As “the national team in the operation and service of digital information infrastructure”, we need to implement national missions resolutely, and to construct industry-leading comprehensive and intelligent digital information infrastructure, which is “fast and ubiquitous, extends from sky to ground, features cloud-network integration, smart and agile, green and low-carbon, secure and controllable”, in order to build an unobstructed information channel as well as a new digital base for the economy and society.
- As “the key force in the establishment of Cyber Superpower, Digital China and Smart Society”, we need to resolutely implement the Cyber Superpower Strategy and serve the establishment of Digital China and Smart Society. We need to grasp the direction of digital, network-based and intelligent development. With technologically leading and highly integrated “full-coverage, online, cloudified, green, one-stop” digital service, we facilitate the cloudification and digital empowerment of thousands of industries, promoting the new development of digital production, digital life, and digital governance.
- As “the frontline troop in the integration and innovation of digital technologies”, we need to develop China Unicom into a technological innovation enterprise by implementing innovation-driven development, focusing on core technologies and key applications, in order to achieve self-reliance and proprietary strength in digital technology, and become an important part of the national strategic technological power.
- Based on the new positioning, the Company upgraded its strategy to “Strengthen and Solidify, Preserve and Innovate, Integrate and Open”. We are putting emphasis on better network and services. We are upholding our network foundation, and going digital and smart. We are also driving factor integration and market convergence, in order to engage in team competition with partners.

- According to the new positioning and new strategy, the Company has expanded and upgraded its own business focuses to five main businesses, namely “Big Connectivity, Big Computing, Big Data, Big Application and Big Security”. It proactively turned the traditional business competition into digital innovation and development. It turned simple price competition into digital value creation. It also turned existing market competition into digital incremental market expansion. In this way, it achieved all-round transformation and upgrade in business development, and enhanced its core competitiveness and sustainable development.

Slide 7: Fully Implement New Strategy to Boost Growth Quality

- Focusing on the new strategy, new positioning and new main businesses, the Company has formulated and implemented the "1+8+2" strategic planning system.
- "1" refers to the "China Unicom Strategic Planning Outline", "8" refers to China Unicom's eight action plans which focus on supply-side structural reform and continuous improvement in its core competitiveness, and "2" refers to the two guiding opinions about corporate development with talents and staff motivation. Through the implementation and promotion of the "1+8+2" system, China Unicom is accelerating its growth ahead on the new channel of the digital economy.

Slide 8: Resolutely Building Premium Networks: “Dual-gigabit” Network Development Reaching New Level

- Firstly, we resolutely build premium networks and a new base for high-quality development. The Company is seizing the new cycle of “Dual-gigabit” upgrade, and dedicates itself to building premium networks with high quality customer experience, high degree of intelligence and low carbon emission.
- Our 5G network already covered urban areas, counties and key towns. Downlink speed reached 2.7 Gbps, the fastest in the world. We added 310,000 5G base station with the total number reaching 690,000.
- In terms of gigabit broadband network, the coverage of gigabit broadband in Northern China reached 92 percent, and the overall broadband satisfaction was the highest in the industry.
- After continuous effort, the Company’s network quality is undergoing tremendous changes. In the Beijing Winter Olympics and the ongoing Winter Paralympics, China Unicom relied on its own high-quality network construction, pioneered in providing 10 cutting-edge technology services, and achieved 6 "global firsts" and "historical breakthroughs" in the history of the Olympic Games. This was duly recognised by the government. It was also highly praised by Mr. Bach, the President of the International Olympic Committee, and Mr. Exarchos, the CEO of the Olympic Broadcasting Services, as well as the athletes, media reporters, and staff from various countries.

Slide 9: Resolutely Building Premium Networks: Enhancing Integrated Computing Network Infrastructure

- In terms of "Eastern Data and Western Computing", the Company is integrating network and computing resources, and promoting a new computing network layout with advanced architecture, security and reliability, and excellent service. It strives to create a computing network integrating "connectivity + sensing + computing + intelligence" service.
- Through the “5+4+31+X” advanced IDCs system, the Company is dedicated to building green, centralized, secure and reliable computing infrastructure. It is dedicated to building a nationwide-integrated, agile and advanced computing network. It is dedicated to building a Unicom Cloud

featuring cloud-network integration, security and reliability, tailored customisation and multi-cloud collaboration.

- Through powerful computing, a multi-level computing system with data network collaboration, data cloud collaboration, cloud-edge collaboration, and green intelligence is formed to support comprehensive and diverse digital needs of different dimensions and levels, creating the "first computing power engine for the digital economy".

Slide 10: Strengthening Economy of Scale: Steady Growth in Basic Businesses

- Secondly, we are strengthening the economy of scale and expanding into new space for high-quality development. The Company regards value operation as the top priority of business development. Over the year, the Company's basic businesses stabilised and rebounded. The foundation for high-quality development was further consolidated.
- Mobile service revenue grew rapidly and reached RMB 164.1 billion, representing an increase of 4.8 percent year-on-year. Mobile ARPU recovery accelerated and reached RMB 43.9, representing a year-on-year increase of 4.3 percent. The number of mobile subscribers reversed its loss and reached 317 million, of which the penetration rate of 5G package subscribers reached 49 percent, representing year-on-year increase of 26 percentage points.
- The year-on-year growth of fixed-line broadband business revenue reached a new high in recent years. The full-year broadband access revenue reached RMB44.8 billion, with a year-on-year increase of 5.2 percent. The number of broadband subscribers reached 95.05 million, with a net increase of 8.95 million, which was a record high. Broadband integration penetration rate reached 72 percent, which was up by 7 percentage points year-on-year.

Slide 11: Stepping up Innovation-driven Development: Rapid Growth in Innovative Businesses

- Thirdly, we are stepping up innovation-driven development to strengthen new engines for high-quality development. The Company adheres to the two-wheel drive of market and innovation, and strives to enhance the new energy of enterprise development.
- Over the year, the revenue of Industry Internet business reached RMB 54.8 billion, representing a year-on-year increase of 28 percent. It represented an increase of RMB12.1 billion over the previous year, which is a record high. The Industrial Internet business contributed to 59 percent of the Company's service revenue growth. It has become the no. 1 driver of the Company's revenue growth. Our revenue structure was further optimized.

Slide 12: Stepping up Innovation-driven Development : Rapid Enhancement in Innovative Capabilities

- In line with the trend of digital technology integration and innovation, we are actively building a unique capability matrix. We have developed integrated collaborative operation and service capability under the guidance of "integrated development, one China Unicom, operating as a single entity". While the headquarters is responsible for overall coordination, we also have a 4-tier operation and fulfilment system. While we nurtured specialized subsidiaries with niche expertise, we also strengthened the service fulfilment matrix of provincial and municipal branches.
- This year, we will also leverage the Company's characteristics to actively explore and create an army-like model specializing in various industries, and vigorously implement various talent projects such as "gathering technological talents, emerging industry managers, introduction of young talents, and development of proprietary capabilities" so as to fundamentally optimize our talent structure.

Slide 13: Stepping up Innovation-driven Development : Strengthening Technological Innovation

- In terms of technological innovation, the Company made new breakthroughs in its core technology R&D in 2021. For example, we led the domestic substitution of high-precision time-frequency for the first time, breaking the monopoly to provide 5G network with precise time standard.
- We continued to promote network intelligence innovation and launched Cube-Net 3.0 innovative network offerings, which provided integrated terminal-edge-cloud services combining connectivity, computing and data. Breakthroughs were also made in the area of intelligent operations with the launch of China Unicom Intelligence Brain. The core capabilities of “Five Middle Platforms” were basically established. Our technological R&D capabilities were significantly enhanced, with our R&D expenses increasing by 61.7 percent year-on-year. The proportion of technological innovation personnel reached 22 percent. 1,128 patents were granted to the Company, representing a significant increase of 120 percent year-on-year.

Slide 14: Bolstering Customer Service with More Measures: Building Quality Reputation

- Fourthly, we are bolstering customer service with more measures so as to build quality reputation.
- We strive to offer more convenient services. China Unicom APP was fully revamped, with monthly active users exceeding 120 million. It pioneered “full-range services with a single click”. Our smart home engineers were connected to 80 million broadband users via a single click in APP, enabling swift responses.
- We strive to offer smarter services. Customer hotlines in 31 provinces have been fully integrated. We are able to offer personalized services that “know customers better” with Big Data + AI, with an 80 percent smart service ratio.
- We strive to offer more efficient services. We have built the largest cBSS system among global operators, pioneering “network-wide service enabled through a single access point”. We launched “cross-region sharing” service, enabling cross-region integration among mobile and broadband businesses.
- We strive to offer more caring services. We cared for the underprivileged such as the disabled and the elderly by adapting products and services to their needs.
- Over the year, our high-quality customer-centric service brought us with many unforgettable touching moments: with the shortage of Bing Dundun, the Company launched exclusive "Bing Dundun" service and was praised by our customers. This Winter Olympics service support achieved zero errors, zero mistakes, and zero complaints, demonstrating our country’s strength and enthusiasm on the global stage.
- Recently, I was very moved by a piece of news. Wang Mengyun, a customer service staff of China Unicom Hubei Jingmen branch learnt of the disabilities of customer Chen Gangyin during a visit in 2006. She then attended to him for 16 years. It fully embodies the warmth China Unicom provides to its customers as if in a family.

Slide 15: Broadly Deepening Integration and Open Cooperation: Factor Integration and Market Convergence

- Fifthly, we are broadly deepening integration and open cooperation to build a new ecology for high-quality development. The Company adheres to the integration of factors and market convergence. We continued to expand cooperation with fellow operators, system vendors, strategic partners, IT companies and the society. We focused on strategic customers and achieved top-level breakthroughs through strategic cooperation.

- We carried out in-depth cooperation in the innovative chain in terms of new digital information infrastructure, integration of digital technologies and regional development strategy of the country.
- We deepened cooperation in the industry chain focusing on smart home, 5G applications “sailing”, terminal ecology, network and information security, modern supply chain, etc. We strived to create value for customers and drive synergetic industry development with digital technologies.
- We deepened cooperation in the value chain by advancing network co-build co-share, deepening cooperation with strategic investors and strengthening capital operation, so as to strengthen factor allocation and support capability and drive value chain enhancement.

Slide 16: Broadly Deepening Integration and Open Cooperation: Expanding Cobuild Co-share

- In the development of 5G, we are working closely together with China Telecom and have built the world's largest co-built co-shared 5G network. For 4G, we shared 660,000 4G base stations.
- Through network co-build co-share, the two parties have saved more than RMB210 billion in investment. More than 17.5 billion kWh of electricity can be saved each year and we have reduced more than 6 million tons of carbon dioxide emissions cumulatively.

Slide 17: 2022 Priorities

- The wave of digital economy has just begun. The Company is making every effort to accelerate its transformation and looks forward to the future.
- In 2022, with the support of everyone, the Company will continue to adhere to the general work principle of seeking progress while maintaining stability. It will completely, accurately and comprehensively implement the new development philosophies, contribute to the establishment of a new development landscape, and promote high-quality development. With the goal of establishing “Cyber Superpower, Digital China, and Smart Society” and adhering to the Company’s “1 + 8 + 2” strategic planning, the Company will stabilise growth, optimise network, deepen reform, enhance capabilities, strengthen synergy and prevent risks. We will steer on the main course of digital economy for a new future in order to create greater value for shareholders, customers and the society. Thank you!

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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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