



China Unicom (Hong Kong) Limited

2023 Interim Results Announcement Presentation Transcript

Slide 1:

- Ladies and gentlemen, as well as friends joining us via video from Beijing, good afternoon.
- I am Meng Shusen. It is a great pleasure to see all of you again today, and I would like to express my deep gratitude for the continuous support and care you have shown China Unicom over the years. On behalf of the Company's management team, I warmly welcome you to the China Unicom 2023 interim results presentation.
- For today's presentation, we are adopting a format that combines live presentations from Hong Kong and Beijing with video communication. First, we will have a speech from the President, then Q&A sessions with the Hong Kong and Beijing venues.
- During the Q&A session, the management team will address questions within the scope of the conference. Any questions that cannot be answered due to time constraints will be followed up by our Investor Relations department after the event.
- The conference will be conducted in Chinese with simultaneous English translation. We kindly request all attendees to switch their mobile phones to silent or turn them off.
- The management team has always attached great importance to communication and interaction with media. Allow me to introduce the members of the board of directors and the management team who are present at today's presentation. They are Executive Director and President Mr. Chen Zhongyue, Senior Vice President Mr. Liang Baojun, Senior Vice President Mr. Tang Yongbo, Executive Director and CFO Ms. Li Yuzhuo, and Senior Vice President Mr. Cao Xingxin.
- Next, I would like to invite Mr. Chen Zhongyue, Executive Director and President of the Company, to present the interim results of China Unicom in 2023. Please welcome Mr. Chen.

Speaker: Mr. Chen Zhongyue, Executive Director and President

Slide 3:

- Ladies and gentlemen, and friends joining us online, good afternoon. First of all, on behalf of China Unicom, I extend a warm welcome to the media friends attending today's conference.

Slide 4: Steady Progress in Business Development

- In the first half of this year, we steadily advanced the deepening and implementation of the Company's strategic planning system, actively coordinated current operations and long-term development, and achieved steady growth in operating results. 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. 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.
- The revenue structure continued to be optimised, with the proportion of Industry Internet revenue exceeding one-fourth. The return on equity reached 3.6%, realising a new high in recent years. The foundation of the Company's high-quality steady and long-term development was further strengthened.

Slide 6: Continuously Strengthening Network Capabilities

- In the first half of the year, the Company's capital expenditure reached RMB27.6 billion, mainly used to build four premium networks: 5G, broadband, government and enterprise, and computing power, providing a solid network foundation for the high-quality development of the Company.
- In terms of 5G premium network, the number of 5G mid-band base stations exceeded 1.15 million, with the scale and coverage on par with the industry. In terms of broadband premium network, cities, counties, and towns have comprehensive capabilities to provide gigabit-speed connections. In terms of government and enterprise premium network, full coverage was achieved in 335 local networks nationwide. In terms of computing power premium network, Unicom Cloud pool covered more than 200 cities, and the number of IDC cabinets exceeded 380,000. The average backbone network latency remained leading in the industry.

Slide 7: Deepening Co-build Co-share

- The Company drove the construction of network infrastructure with an innovative approach, and actively promoted co-build co-share with China Telecom.
- The number of 5G co-built and shared base stations has increased by 150,000. At the 2023 World Mobile Congress in Barcelona, we jointly released the "5G Co-build Co-share Guidelines" with China Telecom, aiming to share China's experience in key technologies and operational management of co-build co-share with global operators.
- 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%. Meanwhile, the Company also actively promoted cross-sector co-build co-share of infrastructure such as poles and pipelines and made good progress.

Slide 8: 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. The growth potential of Big Connectivity has been further expanded.

Slide 9: Solid Growth in Basic Businesses

- 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 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%.
- The Company took advantage of “dual-gigabit” network upgrade to drive integrated development of subscribers. 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.

Slide 10: IoT Business Building up Momentum

- 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.
- China Unicom's IoT business has achieved comprehensive access in high, medium, and low-speed scenarios, integrating development of “terminals, network, cloud, AI and security”. Especially, the Company’s Gewu platform can effectively drive faster development in industrial Internet, smart city, and ecological environmental protection.

Slide 11: Enhancing Proprietary R&D Capabilities in Big Computing

- In terms of Big Computing, we continued to improve in-house R&D capabilities. The Company 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”.
- In the first half of 2023, Unicom Cloud achieved revenue of RMB25.5 billion, up by 36% year-on-year. It is expected to exceed RMB50.0 billion for the full year.
- We focused on exploring industry characteristics, iterating and improving platform construction, and accelerating the enhancement of foundational capabilities. We have developed a rich variety of scenario specific solutions based on seven scenario clouds, Unicom Cloud’s foundational architecture has been upgraded continuously, and achieved a multi-modal cloud with a unified architecture.

Slide 12: Maintaining Industry Leadership in Big Data

- 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.
- We fully leveraged the 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.

Slide 13: Empowering Thousands of Industries with Big Application

- In terms of Big Application, the Company actively promoted the deep integration of next-generation digital technologies and the real economy. 5G industry applications have achieved comprehensive coverage across 60 categories of the national economy, with a cumulative total of over 20,000 projects. We accelerated 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 research 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.

Slide 14: Rapid Growth in Big Security Revenue

- Big Security revenue grew 178% year-on-year in the first half of the year. We launched more than 80 products in the security cloud market.
- 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 to widely meet the security needs of the digital economy.

Slide 15: Actively Developing International Business

- The Company deeply implemented the "Belt and Road" initiative, focused on expanding new opportunities for international cooperation. In the first half of the year, our international business revenue reached RMB5.5 billion, up by 21% year-on-year.
- The service coverage of international business expanded to 264 countries and regions. The circle of international partners continued to expand, with roaming partnerships established with 635 operators. There was a significant increase in inbound and outbound roaming subscribers. Our international product portfolio has been further enriched, with rapid growth observed in mainstream products such as Internet leased lines, global SD-WAN, and Unicom Cloud, so that we can better serve the construction of the "Belt and Road" and the overseas expansion of Chinese enterprises.

Slide 16: Significant Improvement in Technological Innovation

- The Company continued to enhance its technological innovation capability, with R&D investment intensity reaching 2.94% in the first half. Our investment in technological innovation has gradually borne fruit. The number of patents granted reached 1,326, an increase of 70% year-on-year. We also received multiple awards from China Institute of Communications and China Institute of Electronics. Strategic planning in emerging industries has further accelerated.
- The Company has actively promoted network technology innovation, created more than 10 innovative network products, and launched more than 100 network intelligent operation scenarios, driving production and operation to increase revenue and reduce costs.
- We highly emphasised 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.

Slide 17: Deepening and Solidifying Reform and Strategic Cooperation

- The Company deepened and solidified reform and strategic cooperation. We steadily advanced the spin-off and listing of our 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.
- The Company 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.
- The Company established a joint venture named Yunzhou Times with Tencent, which has been registered and initiated operations. Based on independent research and development, the joint venture leveraged the advantages of both shareholders to build CDN/MEC platform capabilities, operational capabilities, and product innovation capabilities. It provided next-generation CDN and edge computing services for digital government, artificial intelligence, and other fields.

Slide 18: Actively Fulfilling Corporate ESG Responsibilities

- The Company actively fulfilled its corporate responsibilities, and has shouldered its responsibilities as a central SOE in such major missions as Cyber Superpower, Digital China, technological innovation and rural revitalisation. The Company 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 the achievement of carbon peaking and carbon neutrality. The PUE of new-built large IDCs was less than 1.3. The Company built a digital village platform which served more than 250,000 administrative villages, and assisted people with communication barriers using 5G + AI.
- We continuously improved corporate governance, addressed shareholder concerns, and actively conveyed the new development and new value of the Company to the market.

Slide 19: Continuously Enhancing Shareholder Returns

- While the Company strives to promote good revenue and profit growth as well as enhance the Company's sustainable development capabilities, it is also committed to sharing the dividends of its development with shareholders.
- After due consideration of the Company's robust business development, the Board resolved to distribute an interim dividend of RMB0.203 per share, up by 23% year-on-year, which is significantly higher than the 13% growth in basic earnings per share.
- In the future, the Company will strike a balance between short-term, medium-term, and long-term development. Building upon the foundation of long-term and steady growth, it will continue to reward shareholders for their support and trust.

Slide 20: Priorities in 2023

- 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.

- Thank you!

- End -

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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