



## China Unicom (Hong Kong) Limited

### 2022 Annual Results Announcement Presentation Transcript

#### Slide 1

- Good afternoon, ladies and gentlemen as well as those who attend via video conference from Beijing.
- I'm Meng Shusen. I'm very pleased to gather with all of you again to discuss our results in person. Thank you for your long-term care and support to China Unicom.
- On behalf of the management, I would like to welcome you to our 2022 annual results presentation. In today's presentation, we will connect with the media in Hong Kong and Beijing via a hybrid mode of physical plus video conference.
- The whole presentation will last for about 60 minutes. First, there will be a speech by the Chairman, and then there will be a Q&A session for Hong Kong and Beijing.
- It will be conducted in Mandarin with English simultaneous interpretation. During the presentation, please turn off your mobile phone or put it in the vibration mode.
- The management highly values communication with the media. First of all, let me introduce the directors and management present today: Mr. Liu Liehong, Chairman & CEO; Mr. Chen Zhongyue, Executive Director & President; Mr. Wang Junzhi, Executive Director; Mr. Liang Baojun, Senior Vice President; Mr. He Biao, Senior Vice President; Ms. Li Yuzhuo, Executive Director & CFO
- Next, let's invite Chairman Liu to introduce our results in 2022.
- Please welcome Chairman Liu.

**Speaker: Mr. Liu Liehong, Chairman and CEO**

#### Slide 3

- Ladies and Gentlemen, and friends online, Good afternoon!
- First of all, it is my great pleasure to return to Hong Kong after three years to hold this results briefing and have face-to-face communication with all of you. On behalf of China Unicom, I would like to express my warm welcome to all investors, analysts and media friends who attend today's presentation, and would like to express my heartfelt gratitude and sincere greetings to friends from all walks of life who have been caring for and supporting the development of China Unicom.
- Today is International Women's Day, and I would like to take this opportunity to extend my festive greetings to all the ladies!
- The year 2022 marked the beginning of China Unicom's anchoring new positioning, and implementing new strategies, as well as the transformational year for the company to fully advance into the new blue ocean of the digital economy.
- In the past year, driven by the strategy of "Strengthen and Solidify, Preserve and Innovate, Integrate and Open", and shouldering responsibilities as "the national team, the key force and the frontline troop", China Unicom has been more active in serving and incorporating into the strategic

deployment of Cyber Superpower and Digital China. Our network infrastructure has become more solid, the pace of business development has accelerated, the results of innovation and transformation have been remarkable, and our technological research capabilities have been greatly improved, all of which have opened up a new paradigm for the Company to accelerate its transformation into a digital technology leader in the digital economy era.

#### **Slide 4: A Good Start of the New Strategy**

- We achieved breakthroughs in our operating results. In 2022, the Company achieved “four new highs” in business development:
- Firstly, operating revenue reached RMB354.9 billion, up by 8.3% year-on-year, which was the highest growth rate in nine years.
- Secondly, profit before tax reached RMB 20.6 billion, profit attributable to equity shareholders of the Company reached RMB 16.7 billion, representing a year-on-year increase of 16.5%, and after excluding non-operating profit and loss, the profit attributable to equity shareholders of the Company reached a new high since the Company’s listing.
- Thirdly, the proportion of Industry Internet in service revenue exceeded 20% for the first time, and the proportion of innovative business revenue reached a record high.
- Fourthly, EBITDA reached RMB99.2 billion, hitting a record high since the Company’s listing.

#### **Slide 6: Upgrading to a Leading Enterprise in Digital Technologies**

- We have achieved transformation and upgrade in our development model. Today, China Unicom is accelerating its transformation from a traditional pipeline operator to a leading enterprise in digital technologies, with 4 major significant features:
- Firstly, we extended our focus from connecting people to connecting people, devices, and things, and accelerated the development of IoT and industrial internet.
- Secondly, we expanded our main responsibilities from connectivity business to Big Connectivity, Big Computing, Big Data, Big Application and Big Security, further enhancing our core functions.
- Thirdly, we expanded our business from ToC and ToH to ToC, ToH, ToB and ToG, actively promoting the deep integration of next-generation digital technologies and the real economy, and continuously enhancing our ability to serve the digital government, digital society and digital economy.
- Lastly, we transitioned from a market-driven development model to one that combines market and innovation-driven approaches. Our core competitiveness and sustainable development capabilities have been significantly improved.

#### **Slide 7: Strengthen and Solidify: Stronger Digital Base**

- Over the past year, we continued to practice our “fundamental skills”, adhered to the principles of “strengthening the foundation of network and consolidating service”, continuously consolidated and strengthened the foundation and cornerstone for long-term development.
- We built a strong digital foundation and resolutely grasped the initiative in the network. The network is the “capital and foundation” for the Company’s survival and development.
- We continued to strengthen the construction of digital information infrastructure, and focused on 4 premium networks of 5G, broadband, government and enterprise, and computing power. The capital expenditure in 2022 reached RMB 74.2 billion. We significantly improved our network quality with robust investment and built a solid foundation for digital information infrastructure. Meanwhile, with continuously growing revenue, our CAPEX-to-revenue ratio was further reduced.

- In terms of 5G premium network, China Unicom has added 310,000 5G mid-band base stations and 170,000 900MHz base stations. The scale and coverage level of our mid-band 5G are on par with the industry. At present, China Unicom has 1.17 million 5G base stations, accounting for about 30% of the world's total.
- In terms of broadband premium network, we maintained our leading advantage in Northern China, with additional 2.14 million 10G PON ports. Urban residential coverage in Southern China reached 80%, which laid a solid foundation for the rapid growth of broadband subscribers in the past two years.
- In terms of government and enterprise premium network, 307 cities and nearly 150,000 commercial buildings were covered, and it attracted more than 50,000 industry subscribers to settle in. The Company continued to consolidate its industry-leading leased line brand, with accelerating leased line revenue growth.

#### **Slide 8: Strengthen and Solidify: Computing Power Foundation Further Strengthened**

- In terms of the computing power premium network, the Company actively implemented the Eastern Data and Western Computing strategy, effectively enhanced the supply capacity of IDC resources in hotspot areas. The coverage rate of Unicom Cloud "one resource pool per city" increased by 300% to 170 cities, and computing power investment reached RMB 12.4 billion in 2022.
- From the feedback of our customers, the "thumbs up" for the quality of China Unicom's network is increasing. The reputation and image of China Unicom with significantly improved network quality is being implanted in people's minds.
- For example, we used 5G + microwave technology to open up the maritime 5G channel from Yantai to Dalian, which solved the problem of no mobile phone signal in a 150 km sea channel, and has received widespread praise.

#### **Slide 9: Strengthen and Solidify: Deepened Co-build Co-share**

- Our co-build co-share with China Telecom continued to deepen. We vigorously promoted 700M base station roaming in remote rural areas, and has started commercial trial on live network.
- The number of shared 4G base stations reached 1.1 million, and cross-sector co-build co-share of infrastructure such as poles and pipelines was also being executed and advanced.
- Through 5G/4G co-build co-share, we have saved more than RMB270 billion in investment for the country on a cumulative basis, and can save operating costs of more than RMB30 billion a year and reduce carbon emissions by more than 10 million tonnes a year.

#### **Slide 10: Strengthen and Solidify: Building a Service Reputation that Draws Customers from Afar**

- We improved service quality and built service reputation with high standards. We regard value creation for customers as a core value of our corporate culture and strive to build "fully integrated" high-quality service. We have won extensive praise for our service reputation that draws customers from afar.
- The Company further leveraged its edges in unified and centralised operation. Resolution ratio of smart customer service exceeded 98%, and smart customer service ratio reached 83.2%. Customer perception improved significantly, and the valid complaint rate compiled by the Ministry of Industry and Information Technology (MIIT) hit another record low.
- The Company strengthened customer care. It launched the Elderly Exclusive Service Campaign and a brand-new youth-focused brand "Unicom WO Pai". It optimised hotline operations with industry-leading daily get-through rate in 31 provinces. It bolstered service system and enhanced service

effectiveness, with satisfactory resolution rate of customer issues improved significantly by 22 percentage points.

**Slide 11: Preserve and Innovate: Overcoming the Impact of the Pandemic, Basic Businesses Grew Steadily**

- In the past year, we continued to use a combination of tactics, and adhered to the principle of "preserving our network edges, while expanding into new areas of digitization and intelligent technology", fully embracing the value opportunities of the new blue ocean of the digital economy.

**Slide 12: Preserve and Innovate: Accelerating Growth of Industry Internet**

- Faced with the strategic opportunities and vast blue ocean brought by the resonance between China's modernization and the new generation of digital revolution, we deepened innovation and transformation, and strived to create a new era of high-quality development, with accelerating growth in our five main businesses.
- The development structure of the Company continued to be optimised, with the scale and growth rate of the Industry Internet business both increasing. The foundation for our development became more solid, with the supply of networks, products, and services continuously improving to meet the new demands of the digital economy.
- Significant results have been achieved in the development of the five main businesses, forming landmark achievements.

**Slide 13: Preserve and Innovate: Value Growth of Big Connectivity**

- The value of Big Connectivity grew. We overcame the adverse impact of the COVID-19 pandemic, and achieved steady development in the personal and household markets, making new breakthroughs in the scale and value of Big Connectivity.
- Currently, the number of Big Connectivity subscribers reached 860 million, mobile subscribers exceeded 320 million, and 5G package subscribers exceeded 200 million. Our broadband subscribers exceeded 100 million, and the penetration rate of gigabit broadband subscribers reached 15%.
- The number of IoT connections reached 390 million, with IoT connections first exceeding human connections. IoT revenue was up by 42% YoY, by far outperforming the industry. We are committed to creating more diversified and user-friendly innovative products, deepening the supply-side structural reform of products for the personal and household markets.
- The rapid growth of our Personal Digital Smart Living and Unicom Smart Home businesses also brought a new experience of quality upgrade to our customers.
- Not long ago, we won the "Best Practice Award for Smart Home" at the 2023 Mobile World Congress, which is also an international recognition of China Unicom's strength in digital home development and smart life services.

**Slide 14: Preserve and Innovate: Big Computing Building up Momentum**

- Big Computing was building up momentum. In 2022 "Unicom Cloud" continued to double with revenue of RMB 36.1 billion, up by 121% YoY.
- We launched Unicom Cloud version 7.0. and further bolstered our "secure digital smart cloud" brand image. In particular, the growth rate of our public cloud was No.1, and we built benchmark projects for national ministries and local governments such as the National Drug Supervision Cloud, the

Liaoning Government Affair Cloud, Guangzhou Government Affair Cloud and Maotai cloud, a large-scale e-commerce platform. Unicom Cloud also supported the cloudification of more than 20 state-owned enterprises such as China Power Construction, PICC and China Life. Our government affair cloud platform was also ranked No.1 nationwide by relevant institutions.

- Our independent R&D innovation was further improved. The full stack of our proprietary and controllable cloud product achieved 100% in-house development, which was compatible with more than 90% of the local mainstream software and hardware products, and it also passed authoritative product quality testing and security capability certification, establishing a brand image of “secure digital smart cloud” and good reputation.

#### **Slide 15: Preserve and Innovate: Continued Leadership in Big Data**

- The Company maintained leadership in Big Data. The release of the "20 Directives about Data" has laid a good policy foundation for the marketisation of data factors. By 2025, the scale of China's Big Data industry is expected to exceed RMB 3 trillion, providing vast commercial opportunities.
- With our highly centralised and technologically advanced Big Data capabilities, the Company achieved revenue of RMB 4 billion, up by 58% YoY. With an absolute leading market share of over 50%, we provided Big Data capabilities for 25 ministries and commissions, actively served the construction of digital governments in 31 provinces nationwide, and better supported the digital and intelligent operation of governments at all levels, which further highlighted the advantages of our data governance and data security.
- For example, we supported Sichuan Province to build the entrepreneurship guaranteed loan platform, with the provincial platform as the hub and 21 cities (state) service platforms as the nodes, to create a new digital loan service model of "1-minute application, 3-minute approval, 0 manual intervention, 0 offline procedures". This effectively relieved the financing pressure of start-up companies, and some entrepreneurs said, "I thought it would take ten days or half a month to get a response, but my application was approved and the loan was issued on the same day. This efficiency deserves a thumbs-up!"

#### **Slide 16: Preserve and Innovate: Leading the Way in Big Application**

- Leading the way with Big Application. By the end of 2022, the Company had cumulatively built 16,000 5G industry application projects, fully activating the energy of 5G integration and innovation. We upgraded "5G + Industrial Internet" and fully 5G-connected factory development as the Company's strategic priorities. We created over 5,000 "5G + Industrial Internet" projects and more than 1,600 fully 5G-connected factory projects.
- Empowered by 5G private networks, we built a number of benchmark cases for "5G + Industrial Internet" in industries such as equipment manufacturing, mining, and clothing. For example, we worked with Youngor to build a fully 5G-connected factory to reduce the production cycle from 15 days to 5 days and ensure delivery to consumers within a week, providing a solution to the pain points of the clothing industry.
- Recently, at the Mobile World Congress in Barcelona, we made two major announcements, one of which was the world's first 5G RedCap commercial module. Addressing the pain points of the industry such as high 5G module prices and high-power consumption, the 5G RedCap commercial module is mainly applied to industrial, power, and Internet of vehicles fields, and can reduce costs by more than 50% compared to existing 5G modules, with performance metrics such as speed, latency, and reliability all higher than the 3GPP standard, helping 5G applications to "travel light".

- Another is China Unicom's 5G industrial edge computing network all-in-one machine. In order to better promote the transition of 5G industrial network from "external attachment" to "internal network", technology from "single" to "integrated", and scenarios from "peripheral" to "core", we have launched the all-in-one machine that aggregates edge computing power, networks, and applications, which can be flexibly connected without the constraints of the public network. In the future, we will fully leverage 5G to lead digital technology integration and innovation, and contribute more solutions to the digital transformation of industries.

#### **Slide 17: Preserve and Innovate: Big Security Grew Rapidly**

- Big Security grew rapidly. The company mobilised more energy, invested more resources, and gathered more factors. We established a network and information security department and a network security research institute with a security operation team of over 1200 people.
- Under the guidance of the Ministry of Industry and Information Technology and the State-owned Assets Supervision and Administration Commission, we operated the China Cybersecurity Industry Innovation and Development Alliance and worked with nearly 400 partners to build a strong "New Great Wall" for cybersecurity.
- We joined hands with security ecosystem partners to excel in "team competition" and built a cloud security market. Together with Pengcheng Laboratory, we built the first 5G security range in China, laying the foundation in basic security capabilities. The market has grown rapidly, with Big Security revenue growing nearly 4 times. Our security capabilities have served more than ten thousand customers on a cumulative basis.

#### **Slide 18: Preserve and Innovate: Accelerating Enhancement of Technological Innovation**

- Over the past year, we have made significant progress in high-level technological independence and competence. Our technological innovation capability was stronger, as we established the China Unicom Science and Technology Association and hired 16 fellows as special experts of the Technology Committee.
- Our investment in technological innovation was higher, with R&D expenses up by 43% YoY in 2022, which made us a leader in R&D investment intensity in the industry. Our technological innovation achievements were more prominent, with the number of granted patents up by 50% YoY and revenue from independently developed products up by over 70% YoY.
- We were awarded the title of "Outstanding Contribution Enterprise in Technological Innovation" by the State-owned Assets Supervision and Administration Commission of the State Council, as well as the 2022 World Internet Leading Technological Achievement Award and the first prize of the 2022 World Artificial Intelligence Conference. These achievements attested to the rapid growth of China Unicom's technological innovation strength and strengthened our determination to continue on the path of technological innovation and development.

#### **Slide 19: Preserve and Innovate: Advance Deployment for Emerging Businesses**

- The recent proliferation of AIGC (AI Generated Content, using AI technology to generate content) based on large models, Big Data and high computing power has brought new opportunities for the Company's development.
- We strengthened the groundwork, increased investment in new computing power infrastructure, and continuously improved the supply and integration of computing power, to lay a solid foundation for AIGC. We also created a toolbox for digital technology integration and innovation, continuously

leveraged our advantages of Big Data processing, industry AI and blockchain capabilities to activate the internal core for AIGC computation.

- In addition, we enhanced the supply of high-quality innovative applications, established the Unicom AI smart customer service system, and launched 5G New Calling products that integrate AIGC and Metaverse technology to expand scenarios for AIGC applications.

#### **Slide 20: Integrate and Open: Integrated Resources and Deepened Cooperation**

- In the past year, we continued to compete as a team, adhered to the principle of “factor integration and market convergence”, and deepened integration and openness with a broader perspective to build a new ecosystem for high-quality development.
- We deepened collaborative cooperation and worked hand in hand to create and share the benefits of development. We comprehensively constructed the capability generation model of "one China Unicom with integrated capabilities and operating services", aggregated the integrated professional capabilities of 17 specialized subsidiaries, 19 industry internet companies, 10 industry forces covering 9 major sectors, and dozens of joint ventures. Relying on the national four-tier operational system comprising the headquarters, provinces, cities, and counties, we created greater value for customers.
- We became more proactive in serving and integrating into local economic and social development, signed strategic cooperation agreements with 27 provinces and 109 large enterprises, provided digital village services to over 230,000 administrative villages, creating the No. 1 brand of digital villages.
- We have achieved new synergy between domestic and international operations. We have international Internet interconnection with over 140 operators worldwide, and our data roaming service covers nearly 250 countries and regions. We comprehensively upgraded our cooperation with strategic investors, such as Tencent, Alibaba, JD.com, Baidu, to jointly promote value creation.
- We actively embraced the comprehensive registration system reform. Our subsidiary, China Unicom Smart Connection Technology Limited is proposed to be spun off and listed on the Sci-Tech Innovation Board to share the fruitful benefits and promising prospects of the Company’s development with more investors. It will strive to contribute to the development of Transportation Superpower, Cyber Superpower and Digital China with the power of China Unicom.

#### **Slide 21: Ride on Tailwind and Actively Explore Reshaping of Valuation Methodology**

- We actively explored valuation reshaping and measured corporate value with a new yardstick. We highly care about the realisation of capital market value and actively explore the reshaping and upgrade of valuation methodology.
- The Company took the lead in revamping the monthly disclosure metrics that had been used for 20 years, and joined hands with China Telecom and China Mobile to organise the first telco industry joint investor briefing.
- We are pleased to see the capital market’s positive response to the Company’s development prospects. As the first central SOE to echo attempt to reshape valuation methodology, the Company’s performance in the capital market was outstanding with boosted share price and trading volume. Our share price has surged by over 90% from the trough.
- Since November last year, China Unicom A Share’s trading volume has remained the highest in the A-share market. China Unicom will continue to reshape its valuation methodology together with the capital market, and will continue to provide good return to shareholders and the market by enhancing corporate value.

### **Slide 22: Further Enhanced Shareholder Return**

- While the Company continues to drive revenue and profit growth, and maintain sustainable development capabilities, it is committed to sharing the long-term development benefits with shareholders.
- Taking into consideration the Company's good business development, the Board proposed a final dividend of RMB 0.109 per share. Together with the interim dividend of RMB 0.165 per share already paid, the full-year dividend reaches RMB 0.274 per share, representing a year-on-year increase of 26.9%. The dividend payout ratio has been raised to 50%.
- In the future, the Company will balance short-term, medium-term, and long-term development, create greater value for shareholders on the basis of accumulating momentum for the Company's long-term and steady growth.

### **Slide 23: Key Priorities in 2023**

- Going along with the trend and keeping up with the times are the most precious opportunities given to investors by the market. Follow the trend and ride on the momentum. China Unicom will set sail with the tailwind of the reshaping of valuation methodology, and actively contribute to the high-quality development of China's modern capital market.
- In 2023, we will further step up investment. Capital expenditure will reach RMB 76.9 billion, of which computing power network investment will account for more than 19% and grow by over 20% year-on-year, in an effort to solidify our digital base.
- We will further strengthen technological investment to develop more specialised and innovative products in the five main responsibilities and main businesses, so as to enhance our core competitiveness and innovation-driven capability.
- We will further build stronger operating service system. With a focus on strengthening county-level companies, we will bolster our marketing capabilities to enhance market-driven development.
- We will further strengthen digital transformation, and comprehensively turn the Company's digital system from good to excellent, so as to enhance our digitally empowered production and operation capabilities.
- We will be a better "way-paver" to provide the "No. 1 connection" for the digital economy. We will be a better "enabler" to empower the digital transformation of thousands of industries. We will be a better "guard" to build the most reliable cybersecurity defence line for the development of the digital economy.
- We will continue to deeply implement the "1 + 9 + 3" strategic planning system, make new achievements in high-quality development with new morale and initiatives, and contribute to Chinese-style modernisation with digital, network-based and intelligent transformation.
- We look forward to sharing the benefits of high-quality development with our shareholders, customers, and all friends who support China Unicom!
- Thank you, everyone!

- 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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