



China Unicom (Hong Kong) Limited

2024 Interim Results Announcement Presentation Transcript

Slide 1:

- Ladies and gentlemen, good afternoon.
- I am Wang Lingsheng from the Board of Directors Office of China Unicom. Welcome to the China Unicom's 2024 interim results presentation. Thank you all for your long-term care and support for China Unicom.
- Today's presentation will be held in Beijing and Hong Kong, via both online and offline interactive communication.
- I will co-host the presentation with my colleague in Hong Kong, Ms. Meng Shusen, the head of the Hong Kong Office of China Unicom Red Chip Company, to provide services for everyone.
- The management team always attach great importance to communication and interaction with the media and investors. The management team in Beijing are all present today. They are Mr. Chen Zhongyue (Chairman), Mr. Jian Qin (Director and President), Mr. Dong Qun (Secretary of the Discipline Inspection Commission), Mr. Tang Yongbo (Senior Vice President), Ms. Li Yuzhuo (CFO and Secretary of Board of Directors), Mr. Cao Xingxin (Senior Vice President), and Mr. Wang Limin (Senior Vice President).
- According to the agenda, we will first invite the Chairman to introduce the 2024 interim results, and then the management team will interact with the audience. This presentation will be conducted in Chinese with simultaneous English interpretation.
- Now, let's invite Chairman Chen Zhongyue to present the Company's 2024 interim results. Please welcome Chairman.

Speaker: Mr. Chen Zhongyue, Chairman & CEO

Slide 3: Overall Results

- Dear investors, analysts, media friends, ladies and gentlemen, good afternoon. Welcome to China Unicom's 2024 interim results presentation.
- On July 19th, we held a partner conference with the theme "Move Forward with Innovation, Co-creating an Intelligent New Era," where we released a series of innovative achievements including the UniAI and the computing power intelligent network.
- Today, we have specially arranged a historical exhibition and business showcase with the theme "A Century of Heritage, Thirty Years Toward Innovation" on site, hoping to help everyone gain a deeper understanding of China Unicom.

Slide 4: Steady Progress in Business Development

- In the first half of this year, the Company's operating performance made steady progress, laying a more solid foundation for the Company's high-quality development.
- This is mainly reflected in two aspects:
- First, the Company's revenue grew steadily, with operating revenue reaching RMB 197.3 billion in the first half of the year, a year-on-year increase of 2.9%. The service revenue reached RMB 175.7 billion, a year-on-year increase of 2.7%.
- Second, profitability continued to improve, with total profit reaching RMB 16.8 billion, a year-on-year increase of 10.2%, representing double-digit growth for 8 consecutive years.

Slide 5: Promoting "Three Innovations"

- Facing the tremendous opportunities brought by the new round of technological revolution and industrial transformation, we are focusing on advancing network innovation, technology innovation, and service innovation.
- We are accelerating the development of new quality productive forces, creating new value in Connectivity and Communications (CC), and exploring new blue oceans in Computing and Digital Smart Applications (CDSA).

Slide 6: Network Innovation

- We continuously strengthened new infrastructure construction, advancing network innovation. We adhered to network and business synergy and made precise investments. CAPEX in the first half of the year was RMB 23.9 billion. The scale of investments steadily declined and investment efficiency continued to rise, laying a solid foundation for the Company's high-quality development.
- In the first half of the year, our investment focused on three specific networks: "Internet network, computing network, and data network".
- In terms of Internet network, the Company firstly continuously improved the coverage of its mobile Internet network. In the first half of the year, the number of 5G mid-band base stations exceeded 1.31 million and that of low-band base stations reached 780,000. The number of 4G mid-band base stations exceeded 2 million. Network core competitiveness was further strengthened. Key 5G-A technologies such as RedCap and carrier aggregation were commercially deployed in over 100 cities.
- Secondly, the Company accelerated the construction of high-speed broadband Internet network. It promoted the penetration and quality improvement of gigabit networks, with the proportion of 10GPON ports reaching 79%, leading the industry. The Company conducted 50GPON technical pilot projects to promote the construction of 10-gigabit cities.
- In terms of computing network, we improved the integrated deployment across cloud, network and edge. We built intelligent computing centres with over 10,000 AI accelerators in Shanghai and Hohhot, etc, achieving total intelligent computing power of 10 EFLOPS. We deployed over 20 large computing centre parks, fully covering the hubs and nodes in "Eastern Data and Western Computing".
- We accelerated the construction of the "New Eight Vertical and Eight Horizontal" national backbone network and deployed ultra-high-speed interconnection channels between computing centres, creating a high-throughput, high-performance and highly intelligent computing power AI network.
- In terms of data network, the Company leveraged its ubiquitous connectivity edge and took advantage of its carrier network capability with flexible bandwidth from 10M to 400G to create a data service network with highly elastic bandwidth, ultra-low latency, flexible networking, and classified transmission for the circulation and application of data. Unicom Blockchain transactions per second (TPS) exceeded 100,000, ranking among the top in the industry.

Slide 7: Technology Innovation

- We advanced technology innovation focusing on the three aspects of network, data, and intelligence.
- We stepped up R&D investment intensity (in the first half of the year, R&D investment increased by 13% year-on-year). We strengthened original and leading scientific and technological research, and formed a number of landmark achievements, such as Computing Power AI Network, Trusted Data Resource Space Platform, and UniAI, etc.
- In June this year, our “5G key technology and engineering application” project won the first prize of the 2023 National Science and Technology Progress Award.
- Specifically, in terms of network technology innovation, the Company focused on the next-generation Internet, and conducted research on lossless network technologies. We achieved the industry’s first 3,000-kilometer wide-area lossless transmission, with terabytes of data transmitted within minutes, meeting the needs of high-speed data transmission. We launched the Computing Power AI Network (AINet) to achieve intelligent dispatch of computing power across the whole network, supporting the effective collaboration of training and inference and ensuring the security and reliability of the whole network.
- Focusing on new-generation wireless communication networks, we optimised network architectures, technical systems and operation modes, made breakthroughs in 5G-A key technologies, explored the development of 6G standards, and promoted innovative applications such as satellite Internet and low-altitude intelligent networks.
- In terms of data technology innovation, we actively implemented the “Data Factors X” action plan, deeply cultivated original big data technologies, continuously improved data governance capabilities, and continuously strengthened data security operations.
- We published shared artificial intelligence datasets and built a mechanism for sharing data. The “Trusted Data Resource Space” platform was launched to provide reliable infrastructure for the circulation and utilisation of data factors.
- In terms of intelligent technology innovation, the Company actively implemented “AI+” action plan, and accelerated the formation of technology-leading proprietary and controllable capabilities to promote the integration and development of artificial intelligence with various industries.
- To enhance our model capabilities, we iteratively upgraded the UniAI large model system, pushing the number of parameters from hundreds of billion to trillion. We accelerated model application and formed over 35 industry-specific large models, making initial progress in empowering areas such as urban governance, economic operations, information consumption, and industrial manufacturing.

Slide 8: Service Innovation

- We further accelerated the integration of the digital and real economies, advancing service innovation.
- Adhering to scale operation and value creation, we expanded new scenarios for CC, and through innovation-driven mode transformations, we provided new offerings in CDSA, supporting information consumption for thousands of households and the digital transformation of thousands of industries.
- In the first half of the year, the CC business achieved a revenue of RMB 125.1 billion, up 2.1% year-on-year; the CDSA business achieved a revenue of RMB 43.6 billion, up 6.6% year-on-year.

Slide 9: Achieving Dual Growth in Scale and Value

- First, let's look at the CC business. In the first half of this year, The Company achieved both scale and value enhancement of connectivity subscribers.

- First, the number of connections grew steadily, recording net addition of nearly 80 million in the first half of the year and exceeding 1 billion in total. Within that, the number of mobile subscribers recorded net addition of over 6 million to reach approximately 340 million. The net addition was a five-year high for the same period. The number of IoT connections exceeded 560 million. The number of broadband subscribers continued to grow and reached 117 million. The number of integrated subscribers exceeded 80 million.
- Second, subscriber structure was further optimised, with 5G package subscriber penetration reaching more than 80% and the penetration rate of gigabit broadband subscribers exceeding 25%. Remarkable achievement was made in value operation, as the ARPU of integrated subscribers reached RMB 103.

Slide 10: Expanding New Scenarios and Creating New Value Through New Integration

- In the development of CC, we insisted on expanding new scenarios and creating new value with new integration.
- First, in terms of business integration, the integration penetration rate continued to increase, with marked improvement in development quality.
- Second, in terms of product integration, for individual customers, the Company created several products with revenue exceeding a billion in RMB. The subscriber scale of featured products such as Unicom Cloud Drive and Video Ringtone steadily expanded. For household customers, leveraging full-home optical fibre broadband, the Company expanded featured services such as smart home, intelligent security, and UHD content, bringing new experiences of quality upgrades to customers. Our smart enterprise full-optical networking service had nearly 300,000 SME customers.
- Third, in terms of terminal integration, the cumulative terminal sales exceeded 25 million units in the first half of the year, terminal sales increased by 4.3% year-on-year, driving steady growth in operating revenue. We strengthened terminal operation and financial empowerment, effectively driving the integrated development of terminals and SIM numbers, with substantial improvement in terminal sales and Unicom SIM card penetration rate.

Slide 11: Rapid Growth in Computing Power Business

- Next, let's look at CDSA business. First, the computing power business grew rapidly.
- In the first half of the year, Unicom Cloud revenue achieved RMB 31.7 billion, growing 24.3% year-on-year. Breakthroughs were achieved in both computing power scale and product capability, maintaining a leading position in the industry. The Company built a series of government affairs clouds, enterprise clouds and medical clouds benchmark projects.
- We fully commenced the AI-oriented upgrade of data centres to drive the rapid growth of AIDC business. IDC revenue growth outperformed the industry.
- In particular, we seized the opportunities of intelligent computing development to launch five major intelligent computing products, providing scenario-based, professional, and differentiated intelligent computing services.

Slide 12: Industry Leading Data Services

- Second, the Company's data service is leading in the industry. In the first half of the year, data service revenue reached RMB 3.2 billion, with a year-on-year growth of 8.6%.
- Based on large-scale data governance and service experience, the Company actively leveraged the multiplier effect of data factors to build government affairs big data platforms, economic operation platforms for multiple provinces and cities.

- The Company actively participated in the market-oriented reform of data factors by launching Trusted Data Resource Spaces and Unicom Data Network solutions, consolidating its data infrastructure, and collaborated with a number of partners such as local data exchanges and big data companies to actively promote public data operation model innovation.

Slide 13: Double-digit Growth in Digital Smart Applications

- Third, the Company penetrated industry scenarios and customer ecology to drive double-digit growth in digital smart applications. In the first half of the year, digital smart application revenue reached RMB3.7 billion, representing an increase of 13.5% year-on-year.
- The Company actively assisted in new industrialisation. We built over 5,800 5G factories, served over 12,000 5G private network customers and implemented over 38,000 commercial projects, enhancing our brand influence in 5G+ industrial Internet.
- The Company actively promoted universal intelligent connectivity, with the number of standard object models on the Gewu platform reaching over a thousand, and the number of categories of connected devices exceeding ten thousand. We served over 100,000 enterprise customers. We maintained our dominant position in the factory installed IoV connection market.

Slide 14: Strong Growth Momentum in Cybersecurity

- Fourth, the Company fully leveraged its role as Chain Chief to drive strong growth in the cybersecurity business. In the first half of the year, cybersecurity revenue reached RMB 1.4 billion, increasing by 58.2% year-on-year. The Company continuously enriched product offerings.
- On the “Mogong” security operation service platform, over 200 cooperative products were launched, serving more than 200 government and large enterprise customers. Leveraging the driving force of cooperation, the “Security Hub” cloud market for industrial chain security attracted more than 100 partners and served over 10,000 small and medium-sized enterprises.

Slide 15: Accelerating the Development of International Business

- Let's take a look at our international business. In recent years, the substantial increase in the number of Chinese enterprises going abroad and outbound tourists has brought valuable opportunities for the Company to enhance its internationalised market operation.
- Revenue from international business in the first half of the year amounted to RMB 6.0 billion, representing a year-on-year increase of 8.4%, which was mainly attributable to the higher growth rate of revenue from outbound international roaming and international mobile business, as well as the rapid growth of revenue from major products, such as global smart network, high-bandwidth leased lines, Unicom Cloud and IoT.
- In particular, we achieved a breakthrough in international IoT connectivity capability, with revenue increasing by 93.4% year-on-year.
- In June this year, we held a conference on internationalised development in Hong Kong and a global partner conference in Shanghai to promote stronger domestic and overseas integration synergy, taking a bigger step in accelerating the development of international business.

Slide 16: Continuous Improvement in Management, Operations and Service

- In the first half of the year, through network innovation, technology innovation, and service innovation, we achieved effective improvements in management, operation and service.

- First, we improved our operating responsibility system, effectively promoting the continuous reduction of management expenses and cost ratios, and continuously enhancing the Company's resource allocation efficiency and lean management capabilities.
- Second, we created a streamlined network, perfected product system, reinforced smart operations, optimised strategy adjustments, and enhanced delivery efficiency and service quality, consistently improving the Company's operational levels.
- Third, we developed the UniAI intelligent customer service model, with a 99% resolution rate of customer cases and a smart customer service ratio of 85%, continuously elevating our service levels.

Slide 17: Actively Fulfilling Corporate ESG Responsibilities

- We insisted on transparent and efficient communication with the market, deeply engaging with over 1,000 investors via 95 events in the first half of the year, and conducted multiple overseas roadshows, thereby actively conveying the Company's new image and new values to the domestic and international markets.
- We adhered to green development and deepened co-build co-share. In the first half of the year, greenhouse gas emissions were reduced by approximately 6.78 million tonnes. Network energy efficiency continued to improve, with the comprehensive energy consumption per unit of telecommunications business volume decreasing by 6%.
- We promoted the deep integration of digital technology and ecological environment to help build a beautiful China. We continuously supported rural revitalisation. The "Digital Village" service platform covered more than 250,000 administrative villages. We fulfilled social responsibilities in major events such as flood control and rescue, demonstrating our responsibility as a central SOE.
- We continuously improved corporate governance, successfully completed the board rotation of China Unicom's A-share company, and continuously deepened the integrated development with strategic investors.

Slide 18: High Regard for Shareholder Returns

- We always place great importance on shareholder returns. While achieving steady growth in our operating performance, we are committed to sharing the fruits of the long-term development of the Company with our investors.
- This year, we will continue to distribute interim dividends, with a proposed dividend of RMB 0.959 per 10 shares, representing a 20.5% increase year-on-year, which is higher than the growth rate of earnings per share.
- Going forward, the Company will better balance current operations with long-term development, actively striving to deliver better returns to shareholders.

Slide 19: Full-year Outlook

- Today's China Unicom has a more solid foundation for development, stronger development momentum and more abundant development vigour.
- Looking to the full year, the Company is confident in achieving steady growth in operating revenue, double-digit profit growth, and stabilising capital expenditure within RMB 65 billion.

Slide 23: 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 functions and improve its core competitiveness, striving to create greater value for shareholders, customers, and society through high-quality development!
- Thank you all!

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Note

Financial data of Unicom A-share Company may also be discussed during the conference. Such data may differ from the Company's financial data. For the Company's financial data, please refer to the Company's presentation slides and announcement.

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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