



China Unicom (Hong Kong) Limited

2026 Interim Results Q&A Transcript

1. In July, China Unicom announced its plan for deepening institutional reform. What is the core objective of the Company's reform? How does management measure the effectiveness of the reform?

China Unicom fully implements the deployments of the State Council's directives on further deepening the reform of state-owned assets and SOEs, deepens institutional reform, and improves systems and mechanisms. The core objective is to build an organisational system of "refined management and strong operations" to improve efficiency, strengthen core functions, enhance core competitiveness, and promote the Company's steady and long-term high-quality development.

China Unicom's institutional reform focuses on five key aspects: strengthening product innovation and brand building, addressing customers' needs across all scenarios and throughout the entire customer journey, positioning compute power network development as key to accelerating scientific and technological innovation, focusing on the commercialisation and application of innovation achievements, and placing greater emphasis on ecosystem partnerships and capital empowerment. All work is progressing smoothly and in an orderly manner.

The effectiveness of the reform will be measured primarily from three aspects. **First, from the dimension of corporate development scale and value, with the quality and efficiency of high-quality development as a metric.** The impact of the reform on development is mainly measured by aspects such as changes in revenue structure, enhancements in profitability, free cash flow, and improvement in the return efficiency of factors. **Second, from the product competitiveness dimension, with the improvement of the product's value management capability as a metric.** Mainly from aspects such as product R&D capability, value creation, and user experience, we evaluate and measure the catalytic effect of the reform on product innovation and the supply capacity of high-quality

products. **Third, from the operational efficiency dimension, with the improvement of work efficiency as a metric.** Mainly from changes in the efficiency of processes such as customer one-stop integrated marketing services, product development and operation iteration, technology R&D, and new infrastructure construction and operation, and supply chain operations, we measure the improvement in the Company's management, operation, and service levels driven by the reform.

Going forward, China Unicom will deliver concrete reform outcomes to reward our shareholders.

2. The company's profit reported negative growth in the first half of the year. What are the reasons, and what measures will be taken to address this?

Overall, the Company's first-half performance remained stable. The temporary fluctuation in profitability resulted from a combination of factors, and the full-year contraction in profit is expected to narrow significantly.

So far this year, the Company has focused on its primary responsibilities and core businesses, continuously deepening its efforts in precise resource allocation and lean management, and comprehensively enhancing its quality improvement and efficiency enhancement initiatives. In terms of major operating expense items, network and operation expenses increased by 4.9% year on year. This growth was attributable to business expansion, primarily due to increased energy consumption costs and business settlement fees resulting from the expansion of computing power services. Correspondingly, computing power revenue for the first half of the year increased by 12.6% year-on-year. At the same time, selling expenses continued to decrease, and the effectiveness of cost reduction initiatives continued to materialise. Selling expenses decreased by 0.6% year-on-year, with selling expenses as a percentage of revenue decreased by 0.1 percentage points. In conclusion, the Company's overall resource utilisation efficiency has shown steady improvement.

Going forward, the Company will continue to adhere to the main development keynote of "Preserve and Innovate, Steady and Far-reaching", focusing on "investment with returns, revenue with profit, and profit with cash flow". It will continuously deepen

value-driven operations and make sustained efforts in areas such as precise resource allocation, high-quality revenue growth, improving marginal efficiency, and enhancing operating cash generation capabilities. The Company will maintain robust profitability.

3. Operating cash flow improved significantly in the first half of the year. What were the key reasons? What additional initiatives are planned for the second half of the year, and what is the full-year cash flow outlook?

In the first half of the year, the Company's operating cash flow continued the improving trajectory of the previous year, with operating cash inflow and net cash inflow both increasing. Both the growth rate and the absolute increment of accounts receivable slowed.

In recent years, the Company continued to strengthen accounts receivable management, supporting sustained improvement in operating cash flow. **First is list-based management.** The Company established accounts receivable lists by customer, by year and by business line, gaining a comprehensive understanding of the accounts receivable structure and laying a solid foundation for targeted measures. **Second is full process management and control.** Credit control requirements for government and enterprise customers were front-loaded to control receivables quality at the origination. For key clients, individual ledgers have been established on a customer-by-customer basis, formulating collection plans with a "one client, one policy" approach, and clearly defining collection responsibilities, forming a closed-loop management process. **Third is penetrated supervision.** Reinforcing accounts receivable confirmation responsibilities across all levels of the organisation, escalating management of overdue or at-risk projects, and applying tiered coordination to accelerate receivables collection.

In the second half of the year, the Company will continue to strengthen the source control of cash flow, persistently endeavour to recover outstanding accounts receivable, and further enhance the efficiency of entire capital flow chain, thereby fully ensuring the overall stability of cash flow.

4. What are the Company's key operational initiatives?

The Company adheres to the strategic guidance of "Preserve and Innovate, Steady and Far-reaching", remains committed to product innovation, computing power leadership, and value-driven operations. Continuing to focus sustained efforts on the four major market segments of consumer, household, institutional and industry, and the Internet of Vehicles. In the first half of the year, the Company's business development showed a positive trend of steady progress and an optimised structure. Key operational initiatives are mainly reflected in three aspects:

First, the Company is committed to overcoming commoditised competition through product innovation. Facing the challenge of intensified homogeneous competition in the traditional telecommunications market, the Company positioned product innovation as a key measure, accelerating the shift from "selling resources" to "selling capabilities and value". In the consumer market, the Company innovatively launched the "Unicom Magic Cube" product, which disrupted the traditional tariff competition model with its "drag-and-drop" self-service design, allowing users to customise their own packages and reshaping the logic of tariff design. In the household market, the Company primarily promoted the "Five Fortunes" integrated package, continuously enhancing product competitiveness through ongoing upgrades of its elements, offering higher speeds, smarter applications, and richer terminals and benefits. In the institutional and industry market, Unicom Yunxi product has been upgraded with three core AI capabilities, driving continuous subscriber base expansion and achieving rapid revenue growth, thereby steadily accumulating growth momentum in the government and enterprise market.

Second, the Company is committed to driving the transformation of revenue structure through computing power leadership. In response to the artificial intelligence development, the Company is accelerating the construction of integrated capabilities encompassing "connectivity + computing power + applications", the computing power business has become the Company's primary engine for driving overall revenue growth, accounting for nearly 1/4 of our service revenue. The daily Token usage

for the four major platforms—UniAI Wanxiang, Unicom Xingluo, UniAI Wanwu, and Unicom Yunxi—exceeds 40 billion. Digital smart applications and cloud-AI applications are growing rapidly, and the revenue structure is accelerating its shift from being primarily connectivity-driven to coordinated growth driven by four core arenas, establishing a more solid revenue foundation for high-quality development.

Third, the Company is committed to taking value-driven operations as an effective means to enhance profitability. The Company coordinates current returns with long-term value, continuously strengthens tariff management. The unit data tariff of new subscribers and the activation rate of new broadband subscribers improved significantly. The Company promoted the clearance and consolidation of inefficient products, drove resource allocation towards high-efficiency areas, and achieved a dual improvement in development quality and operating efficiency.

5. The traditional telecommunications market has entered a phase of competition for existing customers, and stabilising and enhancing subscriber value is key to increasing revenue and profit. What specific measures has the Company taken to deepen value-based management?

After the traditional telecommunications market entered a phase of competition for existing customers, stabilising and enhancing subscriber value has become key to increasing revenue and profit. The Company always adheres to high-quality development, taking integrated development as its main focus, and continuously deepening value-based operations, with a particular focus on the following three aspects:

First, the Company resolutely implemented and enforced the requirements of the Ministry of Industry and Information Technology's "New Discipline Program" to make tariffs more transparent and choices more reassuring. The Company has comprehensively reduced the number of packages on sale and continuously carried out special projects for tariff streamlining, resulting in a more standardised market order and value returning to a healthy track. Next, the Company will continue to consolidate the achievements of tariff streamlining and, with a clearer tariff system and more transparent consumption rules, effectively safeguard subscriber rights and interests and create a clear

and orderly telecommunications consumption environment.

Second, The Company adheres to a customer-centric approach to comprehensively enhance customer experience and perception. The Company consistently takes customer satisfaction as the starting point and ultimate goal of its operations, systematically exerting efforts from four levels: network, business, service, and communication. At the network level, it accelerated the construction of premium networks such as 5G-A and gigabit optical networks, ensuring customers can "connect, use well, and have an excellent experience". At the business level, it optimised product design around customer needs, making tariffs simpler and benefits more substantial. At the service level, it improved the online and offline collaborative service system, enforced the first-contact responsibility system and time-limited processing, making problem resolution more efficient. At the communication level, it adheres to treating customers with sincerity and providing full disclosure, resolutely preventing induced consumption and misleading promotions, and fully respecting and genuinely serving customers. At the same time, the Company is accelerating its transformation from a business model historically centred on "number-based operations" to one that is "customer-centric", with customer ID as the core, integrating the entire chain of customer identification, reach, operation, and service, providing full lifecycle services to customers, promoting the shift of existing customer operations from "passive retention" to "proactive management", and changing the performance appraisal orientation from focusing on "monthly ARPU" to focusing on "customer lifetime value", continuously enhancing customers' sense of gain and loyalty.

Third, the Company emphasised high-quality product offerings and drove product upgrades with the three major concepts of integration, intelligence, and "drag-and-drop". In terms of integration, the Company deepened the supply of integrated products such as the "Five Fortunes" integrated package, promoting the integrated upgrade of elements such as mobile, broadband, terminals, and benefits. In the first half of the year, the scale of gigabit broadband connections continued to grow, and integrated ARPU remained stable above RMB 100, continuously enhancing the value contribution of household customers. In terms of intelligence, the Company accelerated

the deep integration of AI with products, iterated and upgraded the AI capabilities of products like Unicom Yunxi, and promoted the rapid growth of digital smart applications and cloud-AI applications, allowing intelligent services to be deeply integrated into customers' communication and daily life scenarios, leading product value upgrades with computing power and intelligence. In terms of "drag-and-drop", taking the "Unicom Magic Cube" product as a benchmark, the Company embedded "subscriber self-customisation" into the product design DNA, allowing customers to flexibly combine elements such as data traffic, benefits, and terminals, just like shopping groceries in a supermarket, truly achieving "my package, my choice". This product has sold to over 1.5 million subscribers in just over three months since its launch, and the value of new subscribers is significantly higher than the average value of existing subscribers, preliminarily validating the effectiveness of such differentiated competition path. In the second half of the year, the Company will also accelerate its top-level product planning, focusing on developing one leading product in each of the four major markets: 2C, 2H, 2B, and 2V, to solidify the foundation of value-based operations with higher quality product supply.

6. Given the current environment of the explosive growth of AI large models and agent applications, could you elaborate on the Company's Token operating strategy, implementation progress, and future development goals?

The essence of Token operations is to provide customers with an integrated service of "computing power + models + intelligent applications", thereby delivering AI functional value to customers.

Token operations are an important direction for China Unicom to accelerate innovative transformation and cultivate new growth drivers. The Company possesses a solid foundation for advancing Token operations, including sound infrastructure, a large user base, and long-standing industry application and service capabilities. The Company adheres to a differentiated development strategy to build a Token operating model encompassing "creation, transfer, cleansing, storage, and application".

First, continuously strengthen the full-process operational capability of Tokens.

The Company is building a group-wide computing power network and intensively constructing Token computing power clusters at the "Eastern Data, Western Computing" hub nodes. It is reducing comprehensive energy consumption costs through direct supply of green power, source-grid-load-storage integration, and other methods. It carries out R&D on computing-model integration technology to improve the computing efficiency ratio, thereby creating Tokens with high efficiency and low cost. It is establishing a high-throughput interconnected network for computing power nodes, deploying an agent internet, and creating a high-speed, low-latency, precisely controllable Token transfer channel. It is continuously enhancing the intelligent routing and inference augmentation capabilities of the UniAI Token distribution platform, and cleansing and storing Tokens by class and level. **Second, the Company spares no effort to promote internal intelligent applications to enhance the quality and efficiency of its operations.** The Company regards enriching internal business scenarios as an important practise for Token operations. Currently, over one hundred AI agent applications have been implemented in areas such as office administration, customer service, and research and development. For example, intelligent services account for over 85% of the 10010 hotline, saving over RMB 100 million in operating costs annually. On this basis, after completing validation, it was productised and commercially exported to achieve secondary monetisation. **Third, the Company enhances the application value of Tokens for the market through differentiated application products.** Targeting the individual and home markets, and relying on portals such as the China Unicom App and UniBOX Tongtong, intelligent capabilities like call noise reduction and voice transcription were integrated into the Token service system, promoting the upgrade of communication services towards "services that understand subscribers better". Targeting the Internet of Things market, leveraging a connection scale of over 700 million, and focusing on scenarios such as home, industry, and urban governance, it expanded a new device-side intelligence model of "terminal + Token + smart services" to generate recurring service revenue. Targeting institutional and industry markets, focusing on industries where the Company has long-term expertise, such as industrial, healthcare, and education, etc., it fostered high-value AI agent applications that can solve real-world scenarios and problems, and continuously

unleashed the value of Tokens in production and operation processes.

In the future, the Company is confident in embarking on a stable and high-quality Token development path, and will continue to solidify its end-to-end Token operational capabilities, enrich its smart application product matrix, accelerate the exploration of new avenues for revenue growth, and continuously create long-term value for all shareholders.

7. What is the Company's positioning in the construction of the "Six Networks"? What opportunities has it brought to the Company?

This year, the government proposed the strategic vision of the "Six Networks", which is a major infrastructure system planned by the government during the "15th Five-Year" period to stabilise investment, benefit people's livelihoods, and plan for the long term. Among them, next-generation communication networks and computing power networks are the two core pillars supporting the development of the digital economy and the artificial intelligence industry. Currently, the Company has achieved certain progress in the construction of the two networks. Regarding the next-generation communication network, it has cooperated with China Telecom to build the largest 5G co-built and co-shared network. For broadband network, an innovative architecture for the Broadband Network Core (BNC) has been established to support new business expansion. The government and enterprise business network has formed a "rigid and flexible" synergistic advantage, flexibly meeting the diversified needs of key accounts. Regarding the computing power network, data centre deployment continued to be optimised, with intelligent computing scale exceeding 45 EFLOPS. The new "eight vertical and eight horizontal" backbone optical cable network reshaping and upgrade accelerated, and integrated and interconnected with international submarine and terrestrial cables. The dual-plane architecture of the 400G high-speed backbone transmission network has been initially established, forming the all-optical foundation for the AINet.

Next, the main tasks for the construction of the Six Networks include:

First, to implement the national Six Networks deployment. Looking ahead to the "15th Five-Year" period, the Company will firmly grasp the development keynote of "Preserve and Innovate, Steady and Far-reaching". While building a next-generation

communication network and computing power network, it will deeply research the synergy mechanisms and empowerment paths with the Six Networks, and strengthen the linkage of resource and capability deployment.

Second, to ensure the coordinated development of the two networks. Currently, AI has become a new value anchor, reshaping the industrial logic and business models of new infrastructure construction and operation. The Company will conduct in-depth research on service targets and business requirements, build an AI Computing Power Distribution Network (AIDN) oriented towards efficient Token supply with telecom operator DNA, coordinate the resources and capabilities development for the next-generation communication network and computing power network, and establish a new model for network operations.

Note:

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