

# Message from Chairman

“ A new era calls for renovated ethos, and a fresh beginning must be underpinned by new initiatives. Mindful of its initial mission and commitment and in accordance with the new development philosophy and requirements for high-quality development, China Unicom will continue to deeply implement the strategy of Focus, Innovation and Cooperation, nurture new strong Internet DNA, explore new robust corporate governance post mixed-ownership reform, step up new Internet-oriented operations, enhance new energy for innovative business development and vigorously develop an inter-connected new ecology, striving to start a new paradigm for China Unicom's development in the new era, better satisfy people's growing demand for congenial information and communications living, and make more significant contributions to the successful development of economic affluence across the nation and the achievement of great victory for Socialism with Chinese Characteristics for a New Era. ”

Year 2017 was a significant milestone in the history of China Unicom with extraordinary implications. In meticulous and united efforts, sometimes against adverse conditions, we seized opportunities emerging in the era of digital economy to intensify our supply-side structural reforms, implement the Focus Strategy on all fronts, promoting growth, controlling costs, reforming mechanism”, make further inroads in mixed-ownership reform, commence transformation to Internet-oriented operations, secure partnership in the Beijing Winter Olympics and support the construction of Xiong An New District, in persistent adherence to the philosophy of “innovation, coordination, eco-friendliness, openness and sharing”. As a result, the Company has taken a solid step forward onto the path of transformative development, making important contributions to deepened implementation of SOE reform, satisfaction of the growing public demand for information-based living and leadership in the development of good smart living, while providing an exemplary model in the fulfilment of political, economic, environmental and social responsibilities.

**Guided by Party leadership and strengthened by corporate culture building.** We persisted in the principles of pursuing sustainable development and the maximisation of overall value. By normalising and institutionalising “Two Learning Types, One Action”, we continued to drive in-depth integration of Party establishment with our production and operations, make ongoing efforts to strengthen Party leadership, business integrity and anti-corruption, enhance disciplinary supervision against prominent issues that restrained the healthy development of the enterprise, and rectify “four improper practices” by focusing on our corporate characteristics, in an effort to establish virtues of integrity and probity for the sustainable and healthy development of our Company. We also persisted in promoting our corporate culture as a means to foster “soft strengths” for our Company, stressing the importance of “personal virtues and corporate values” as we promulgated our corporate culture and philosophy regime to call for “good employee practices”, such that our corporate philosophy is turned into convictions in our minds, reflected in our actions, reinforced through our institutions and deeply embedded in our corporate roots, forming a spiritual backbone for China Unicom. We conduct ourselves in strict compliance with the 10 Principles under the Global Compact, as we consistently include social responsibility as part of our corporate strategy and day-to-day production operations in genuine fulfilment of our important duty and mission in the course of national economic and social development.

**Smart and quality development with meticulous craftsmanship.** In a diligent effort to implement the national planning for China's development into a network superpower, advance the development of the Digital China initiative and build premium networks, we ensured ongoing improvements in our network servicing capability. We stayed atop of our peers in 4G network speed and stepped up with the building of all-fibre networks, while upgrading broadband services with automatic service provisioning to enable a smart network experience with faster speed, broader coverage, and better customer experience. Taking advantage of digital advancements in the age of mobile Internet, we actively engaged in the construction of next-generation network architectures and accelerated research and development in 5G, while expanding with strong efforts in areas such as smart living and smart industry on the back of our strengths in emerging technologies such as Cloud Computing, Internet of Things (“IoT”), Big Data and artificial intelligence (“AI”) to provide a diverse range of “Smart+” applications, enabling more convenient and smarter living for the public. We deeply involved in offering universal telecom services and targeted poverty relief, underpinned by intensive implementation of network speed upgrade and tariff reduction and continuous introduction of new concessionary measures aimed at narrowing digital divide between regions. We had undertaken broadband construction in 16,000 administrative villages, so that people living in remote areas could also benefit from modern information-based living of high quality. We successfully safeguarded emergency communications during natural disasters such as floods and earthquakes and other major events. As the sole and official telecommunication services partner for Beijing 2022 Winter Olympics and Paralympics, we will provide robust efforts for the successful hosting of the Winter Olympics and the further manifestation of China's strengths and powers. Meanwhile, we also launched specific initiatives against communication and information fraud to foster a safe and clean cyberspace in a solid attempt to safeguard national security and social stability. In active support of the national strategic initiative for the millennium planning of Xiong An New District, we provided full service support to the construction of the new district in line with broader national development plans.

**Cost reductions and efficiency enhancement through green operations.** We advanced supply-side structural reform in networks, platforms, terminals and services in an intensive manner and enhanced coordination between energy conservation and cost reduction and efficiency enhancement in vigorous implementation of the philosophy of “Thinking Green is



Thinking Gold and Silver". The quality of corporate development was improved as a result while further progress was made in realising harmonic and symbiotic development between corporate and environment. Notable improvements were reported in our financial performance indicators following our effort to drive cost control in the "six networks" namely, mobile, broadband, IT, sales and marketing, innovation and human resources. Meanwhile, we also made strong efforts to promote energy conservation through technology, accelerate the downsizing of 2/3G networks and consolidate our fixed-line network business and retirement of obsolete equipment, while continuing to ensure good energy consumption control at data centres, increase network efficiency and reduce resource consumption. In adherence to the principle of "low carbon emission and green office", we transformed traditional communications service stores into experience-focused retail outlets through the digitisation of business outlets, creating eco-friendly smart business outlets with digitalised and paperless operations. We also made a strong effort to develop green and transparent procurement, promoting environmental responsibilities along the supply chain through the introduction of environmental quality certification. We adopted the reverse logistics management method to increase the recycling rate of waste materials. The value of recycled materials amounted to RMB84.31 million. We persisted in thrift construction practices underpinned by the sharing of resources in the areas, such as, telecom towers, base stations, pipelines, pole lines and indoor distribution systems, resulting in investment savings of over RMB640 million and fewer duplicated construction works to minimise impact on the ecological environment.

**Revitalisation through mixed-ownership reforms.** In 2017, China Unicom successfully implemented its mixed-ownership reform as the first central state-owned enterprise (SOE) to adopt entire group-based mixed-ownership reforms and the first central SOE in telecommunication sector to introduce private capital, providing a solid example in SOE reform. Based on the idea of "mixed ownership", we introduced 14 strategic investors to form a diversified shareholder base, carried out intensive business cooperation in key areas, and jointly developed an industry ecology characterised by "innovation, vigour, joint actions and mutual success". Focused on "reform", we achieved notable success in organisational streamlining and initial appointment of officers, resulting in a 33.3% decrease in the number of departments at the headquarters, 20.5% decrease in the number of institutions in provincial branches, 26.7% decrease in the number of institutions in local/municipal entities, and mid-level management withdrawal rate of 14.3%. The employment of managers is now subject to market-oriented and contract-based administration. In the meantime, we have advanced the sub-division performing units reform for all production scenarios with the aim of enhancing staff motivation at front-line

levels. An internal "innovation and venture" program was introduced, effectively taking China Unicom back to its roots as a venture operation, unleashing the benefits derived from the reform. We also advanced market-oriented reforms in relation to human resources management, optimised our mechanism for employee compensation and resource allocation mechanism, organised various types of staff training, improving the dual promotion paths for talents, and involved staff in our business management. We also implemented a comprehensive incentive regime to enhance the sense of rewards on the part of employees.

**A renovated China Unicom with five new elements setting sail to go further.** Year 2018 marks the first year of the implementation of Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era and the spirit of the 19th CPC Congress, the 40th anniversary of China's reform and opening, and a new starting point for China Unicom post mixed-ownership reform. A new era calls for renovated ethos, and a fresh beginning must be underpinned by new initiatives. Mindful of its initial mission and commitment and in accordance with the new development philosophy and requirements for high-quality development, China Unicom will continue to deeply implement the strategy of Focus, Innovation and Cooperation, nurture new strong Internet DNA, explore new robust corporate governance post mixed-ownership reform, step up new Internet-oriented operations, enhance new energy for innovative business development and vigorously develop an inter-connected new ecology, striving to start a new paradigm for China Unicom's development in the new era, better satisfy people's growing demand for congenial information and communications living, and make more significant contributions to the successful development of economic affluence across the nation and the achievement of great victory for Socialism with Chinese Characteristics for a New Era.

**Chairman  
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