



## MESSAGE FROM CHAIRMAN

Year 2018 was a year of outstanding results and noticeable improvement in corporate appearance of China Unicom. In persistent implementation of the new development philosophy, we deepened the execution of the Strategy of Focus, Innovation and Cooperation, driving the development of the China Unicom's "Five New" on all fronts and expediting transformation towards Internet-oriented operations while deeply advancing mixed-ownership reform. We made contributions to the nation's tackling of the three critical challenges, and we endeavoured to serve as a benchmark for sustainable development in the fulfillment of our economic, social, environmental and overseas responsibilities, making new contributions to the development of good smart living to satisfy the people's growing demand for information living.

### **Exploring New Governance to unleash institutional benefits.**

We persisted in focusing on sustainable development and the pursuit of maximisation of overall value, seeking deep advances in mixed-ownership reform, and conducting systematic, comprehensive and revolutionary optimisation and adjustment of our corporate systems and mechanisms, in a major effort to drive the modernisation of our governance regime and ability. We optimised and streamlined our organisational structure to create a lean enterprise. We stimulated the vibrancy of micro-entities and advanced subdivision reform for all production scenarios on all fronts, forming a team of approximately 20,000 "mini CEOs" to allow growth in staff income in tandem with the value they deliver, resulting in significantly enhanced sense of reward on the part of our staff. Efforts were made to explore the pilot programme of "contract-out operation by private capital" for tier-two subsidiaries subject to grave losses, while China Unicom Yunnan was included in the "Double 100 Action" list for state-owned enterprise ("SOE") reform. We shouldered the important responsibility and mission of exploring and developing a modernised SOE system with Chinese characteristics.

**Strengthening New DNA to stimulate intrinsic vibrancy.** In adherence to the belief that "strong personnel and superior DNA thrive the enterprise", China Unicom is committed to the proper building of corporate culture and strengthening of talent development, which is a crucial factor. To promote exemplary labour performance and craftsmanship, we commended 100 Group-level employee role models and shortlisted 104 "China Unicom Skilled Experts", with a view to institutionalising the propagation of our corporate culture, cementing the foundation for corporate growth and reinforcing the ethos of China Unicom. We established a system for the separate management of talents and implemented the "418" talent project. Through 3 initiatives namely, "U Graduates", "Elite Hunt" and "Flowing Water", the number of innovative talents increased to 16,000. We care for the after-work life of our staff and respect and protect their lawful rights. We increased remuneration allocation towards frontline staff and value-delivering areas. We were committed to offering practical assistance to and solving difficulties for staff, as we continued to see the sense of belonging and well-being growing among our staff.

**Advancing New Operation to increase efficiency.** We have made meticulous effort to implement the “cyber superpower” strategy and drive the development of Digital China, advancing “Internet-oriented transformation in the four areas” of marketing, IT, network and management and constructing the next-generation information infrastructure that was fast, ubiquitous, convenient, secure and eco-friendly, so that people could enjoy smart network services with faster speed, broader coverage, superior perception and more concessions. In-depth progress was made in promoting universal information access as the digital divide continued to narrow. Ongoing progress was made in speed upgrade and tariff reduction, as we continued to lead our peers in terms of 4G network speed, while the speed of our home broadband was upgraded. Mobile domestic data roaming fees were abolished. Mobile data tariff, home broadband tariff, SME Internet leased line bandwidth unit price, international voice and data roaming tariffs decreased by 59%, 41%, 36%, 44% and 46%, respectively, in a genuine sharing of benefits with society.

We endeavoured to forge a smart brand and continued to enhance the standard of our customer service, as we innovated 2I2C application and privilege offerings and enriched our “Smart WO Family” integrated products to enable the public to enjoy more convenient and varied smart living. Determined to tackle the challenge of poverty alleviation, we rolled out initiatives in targeted poverty alleviation and matched support missions in a systematic manner with the launch of concessionary packages for the underprivileged and industry-oriented poverty alleviation programmes. We commenced special initiatives against communication and information fraud and successfully completed communication assurance tasks for various major events, while providing active assistance for the preparation of smart Winter Olympics. With a belief in the symbiotic relationship between men and the nature, we adopted low-carbon and energy-saving technologies, enhanced the control of electromagnetic radiation, implemented paperless offices and introduced innovative green applications to help build a beautiful China with blue sky, green land and clean water.

**Enhancing New Energy to lead smart development.** We always believe “innovation is the primary driving force for development”. Riding on developments in new technologies, industries, commercial models and businesses, we explored the evolution of future-proof smart networks and expedited 5G research and development. Deployments in relation to frontier technologies was also expedited with a strong focus on key services such as Cloud Computing, Big Data, Internet of Things (“IoT”), artificial intelligence (“AI”) and Blockchain, as we had close to 110 million IoT connections. Efforts were made to drive standardisation and patent research, with the submission of 545 international standards drafts and 1,121 patent applications, of which more than 90% were invention patents. Focusing on key sectors such as government affairs, education, medical and healthcare, environmental protection, transportation, tourism and industrial manufacturing, we provided an extensive range of “smart+” applications to propel the in-depth integration between information technology and the real economy and facilitate the transformation and upgrade of traditional industries, the economy and society. We set up a special zone for innovation to speed up the switch into new energy, in a bid to enhance our ability in mid-to-high-end supply in the innovative segments for the benefit of economic and social development.

**To develop New Ecology to promote integration and win-win.**

We actively practise the idea of “cooperation for win-win and coordinated development” with a special emphasis on the construction of a cooperative ecosphere and the development of business unions. We established a deeply cooperative ecosphere with strategic investors, entered into customer touchpoint cooperation with 54 Internet companies, and set up the joint ventures Yunlizhahui Technology, Yunjing Wenlv Technology and Yunjizhahui Technology with Alibaba, Tencent and Wangsu respectively, in an effort to deepen capital cooperation. We built an IoT “Platform+” cooperative ecosphere by establishing an IoT industry alliance, a new innovation acceleration centre and an incubation laboratory. We developed a terminal cooperative ecosphere to continuously expand cooperation in six-mode all network access terminals. We created a 5G cooperative ecosphere with the formation of a 5G innovative centre to deepen innovative cooperation in vertical industries, while strengthening external cooperation leveraging the Winter Olympics platform. An ecosphere for private capital cooperation was also been built to enhance sharing and cooperation with peers, so that we could reduce duplicate construction and wastage of economic and social resources, while generating synergies in development.

**Realising dreams of new goals and braving the new era.** Year 2019 marks 70th anniversary of the establishment of New China and a crucial year in the full accomplishment of economic affluence. China Unicom will persist in advancing with stability in 2019, insist on new development philosophies, observe the requirements of high-quality development, adhere to the central theme of supply-side structural reform, decisively deepen the implementation of the Strategy of Focus, Innovation and Cooperation, and deeply advance the establishment of “Five New” China Unicom. Seizing new strategic opportunities in 5G, AI, Industrial Internet and IoT, etc., we will rise to the occasion and tackle challenges with our full might to instill a strong impetus for high-quality corporate development, in an emphatic effort to build a new central enterprise under Socialism with Chinese Characteristics for a New Era and deliver stellar performance anew that would make the new era proud.

**Wang Xiaochu**  
Chairman  
China Unicom (Hong Kong) Limited

March 2019

