

FEATURE STORY II: DEEPLY ADVANCE MIXED-OWNERSHIP REFORM

As the first pilot unit to adopt entire group-based mixed-ownership reform and the first central state-owned enterprise in the telecommunication industry to introduce private capital, China Unicom has taken solid steps to advance mixed-ownership reform in close tandem with the general requirements to “improve governance, enhance incentive, highlight principal businesses and increase efficiency”. Our pilot mixed-ownership reform commenced in September 2016 and the pilot run proposal was approved in June 2017. By the end of October 2017, the proceeds raised from our mixed-ownership reform had been received in full. In April 2018, the grant of employee restrictive shares was completed. The mission of diversifying ownership was duly accomplished while advanced progress has been made in tackling critical reform issues, witnessing a solid start in mixed ownership reform.

Serious reform of market-oriented systems and mechanism

We specifically addressed the problems of unwieldy organizational structure and overstaffing, with a view to stimulating vibrancy at micro entities.

Serious streamlining and re-organisation: the number of departments at the headquarters, numbers of management entities at provincial branches and municipal branches were reduced by 1/3, 1/5 and 1/4, respectively. 26 corporate entities were cut, representing a cumulative reduction of 27%.

Seriously enforced market-oriented employment mechanism: a market-oriented system for the appointment and dismissal of management personnel was established. The exit rate for management staff at various levels was 14.3%, while the mandatory exit rate for contract staff was 1.2%. Through the special programme for innovative talents, 2,300 staff were recruited.

Serious in sub-division contract-out reform: promoted internal “innovation and entrepreneurship” with the establishment of micro-teams, transforming “passive fulfilment of duties” into “proactive drive to deliver”. A total of 154,000 staff joined 24,000 sub-divided units and 20,000 “mini CEOs” been appointed by selection, while remuneration for frontline staff increased by more than 20% year-on-year.

Serious in turning around losses: tested “private capital contract-out operation” model for third-tier subsidiaries which have never recorded profit since establishment and whose losses have been deteriorating. A pilot run commenced for 11 municipal branches in Yunnan province.

In October 2018, China Unicom Yunnan branch and China Unicom Smart Connect Technology Co., Ltd. (a subsidiary of China Unicom) was included in the “Double 100 Action” list for state-owned enterprise reform announced by the State Council, representing a solid step for China Unicom’s mixed-ownership reform branch/subsidiary level further to reform at the Group level. China Unicom Yunnan branch, for example, reported a year-on-year revenue growth of approximately 18% and profit growth of approximately RMB250 million, thanks to the reform involving private capital cooperation.

Driving strategic synergies to achieve breakthrough with differentiation

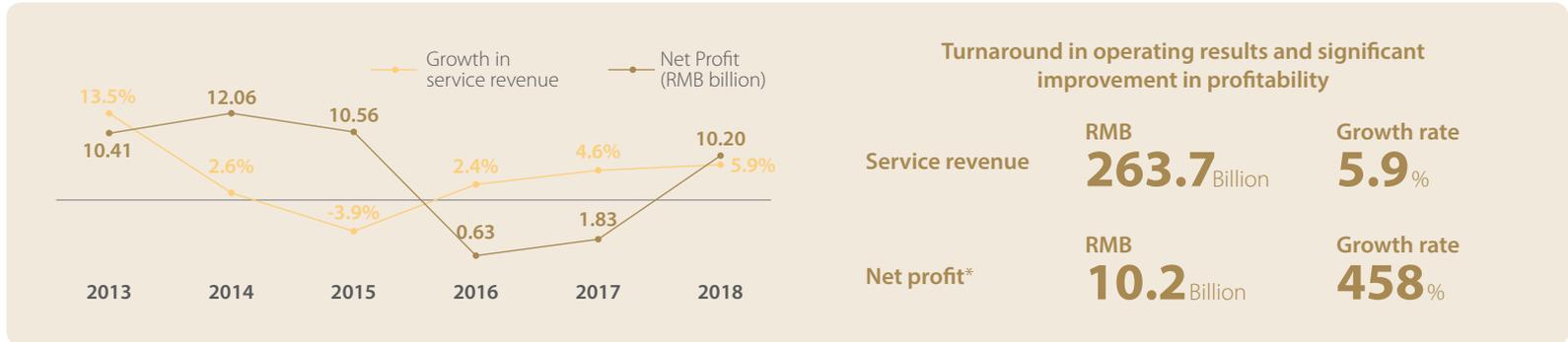
We have been engaged in intensive cooperation with strategic investors with a view to enhancing our abilities to innovate and supply effectively.

- Cooperation in sales channels and touchpoints: online touchpoint cooperation with Tencent, Alibaba, JD.com and Baidu, pioneering a new model of integrated customer services by telecom companies and Internet companies.
- Cooperation in New Retail: launched New Retail store pilot programmes with Alibaba, JD.com and Suning in Shanghai and Guangdong. Notable increases in daily average customer visits, business volume and merchandise sales were reported in the pilot stores.
- Cooperation in cloud computing: offered more than 50 cloud computing products in cooperation with Tencent and Alibaba.

A great start in the first year of mixed-ownership reform

Positive results in mixed-ownership reform were achieved, underpinned by a V-shaped rebound in operating results and continuous improvements in internal and external environments. The morale of staff officers received a significant boost and the Company went on the fast track of high-quality growth.

© Outgrowing peers in revenue and profit



Turnaround in operating results and significant improvement in profitability

Service revenue	RMB 263.7 Billion	Growth rate 5.9 %
Net profit*	RMB 10.2 Billion	Growth rate 458 %

* Net profit represented profit attributable to equity shareholders of the Company.

© Notable enhancement in the quality of development



FEATURE STORY III: COMPREHENSIVE EFFORTS IN TARGETED POVERTY ALLEVIATION

China Unicom has made exhaustive efforts to combat poverty by strengthening alleviation efforts, expanding the scope of mobilisation, ensuring precision in initiatives, speeding up our programmes and showing our compassion for poverty alleviation.

Developing a grand scheme for poverty alleviation

In diligent performance of its responsibility as a central enterprise, China Unicom has proactively formulated an all-rounded scheme for poverty alleviation by uniting forces at all levels of the Company, internal and external. Through team unity, coordinated actions, resource sharing, concerted efforts, internal and external cooperation and complementary edges, we have formed a formidable combined force that will help combat poverty.