




OPEN COOPERATION: BUILDING A MUTUALLY BENEFICIAL INDUSTRY ECOLOGY

Deepening cooperation with fellow operator	40
Developing industry ecology	40
Cooperation with Internet companies	41





OPEN COOPERATION: BUILDING A MUTUALLY BENEFICIAL INDUSTRY ECOLOGY

Open cooperation is an important driving force that stimulates corporate creativity and propels industry development. In line with the principles of “cooperation, openness and mutual success”, China Unicom engages in concerted development with its business partners. In 2017, China Unicom facilitated healthy industry development by deepening cooperation with fellow operators and sharing resources. It cooperated with various partners in the supply chain to innovate and build a prosperous and mutually beneficial industry ecology. It will also work with the next Winter Olympics to jointly deliver a smart future.

Measures adopted in 2017

- Carried out in-depth cooperation with China Telecom in such respects as resources and terminals, contributing to significant savings in fixed-asset investments and operating costs.
- Promoted synergetic development with enterprises along the value chain including equipment vendors, terminal suppliers, open channels, MVNOs and private capital partner enterprises and performed social responsibilities.
- Advanced cooperation with Internet companies with the launch of more than 40 2I2C projects with 95 products, as well as the creation of privilege centres.

Actions in 2018

- To continue to drive the implementation of resources, terminals and business cooperation with China Telecom and jointly foster the healthy development of the industry.
- To strengthen cooperation in the value chain and capitalise on more extensive Internet cooperative touchpoints to provide users with better value-for-money communication products and better network services.
- To continue the intensive cooperation with Internet companies and step up efforts to launch dedicated Internet products featuring high data allowance and low tariff for youths and students.

DEEPENING COOPERATION WITH FELLOW OPERATORS

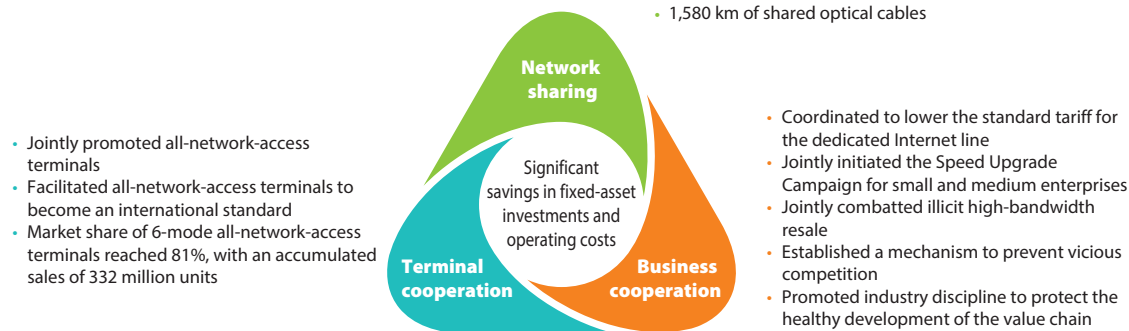
In 2017, China Unicom continued to deepen its cooperation with China Telecom to solidly establish and implement new development principles, further promote supply-side structural reform and constantly improve the sharing of telecommunication infrastructures. Following the principle of “win-win cooperation and co-development”, China Unicom sought to achieve synergetic development by actively promoting strength complementation and in-depth cooperation in terms of resources, innovation and others among sister companies in the industry. Meanwhile, it expanded the cooperation in areas including technology, business, resources and capital in the industry chain with an open mind to build a positive industry landscape.

Achievement in the past two years cooperation:

- Sharing 39,000 outdoor base stations
- Indoor cooperation in 38,000 buildings

Transmission network cooperation in 2017

- 4,474 km of shared pole lines
- 451 km of shared pipelines
- 7,495 km of shared optical fibre
- 1,580 km of shared optical cables



On 31 March 2017, China Unicom, together with China Telecom, held the “Press Conference for Campaign of the Implementation of Speed Upgrade and Tariff Reduction and Promoting 6-mode All-network-access Terminals” in Beijing to jointly announce the five measures taken to promote 6-mode all-network-access terminals. Both parties put forward proposals and took measures in such aspects as terminal standard coordination, terminal products launch, all-channel cooperative promotion and industrial consensus promotion.

DEVELOPING INDUSTRY ECOLOGY

Cooperation with equipment vendors

China Unicom strives to perform social responsibilities with its partners in the industry chain through the implementation of “sunshine procurements” and “green procurements”. China Unicom E-Mall has a total of 19,000 suppliers and approximately 250,000 products, with a transaction amount of RMB26.5 billion. It ranked second in the benchmarking activity of material procurement management for central state-owned enterprises organised by SASAC.

- Established a centrally operated e-commerce platform which enables full life cycle management for procurements as well as “sunshine procurements” and “green procurements” that are entirely open and transparent and fully electronic, so as to ensure regularity, low cost and transparency.
- Connected the platform with the supply chain system, implemented a rating system for orders in the e-mall, carried out after-sales evaluation management, and strengthened on-time settlement management and risk alerts.
- Launched “Internet + procurement” and promoted the use of electronic tendering and order transaction system to enhance procurement efficiency.
- Implemented centralised procurement which involved 371 types of products and accounted for 81% of the total procurement to reduce procurement costs.

Cooperation with terminal suppliers

In 2017, China Unicom implemented a multi-end supplier cooperation model at both the group level and provincial level, so as to provide suppliers with more opportunities to get engaged. There were over a hundred cooperative suppliers which were sourced through open recruitment and joint selection process, offering over 700 models of customised smart terminals and over 500 models of new non-mobile smart products and selling almost 10 million units during the year. Meanwhile, China Unicom imposed more rigorous requirements in relation to social responsibilities on terminal suppliers in a bid to provide users with an enriched variety of terminal products, more favourable product prices and enhanced terminal services.

- Organised two nationwide crowd-funding events to facilitate direct transactions between upstream and downstream industry players and launched the “handset replacement programme” and the “star programme” to meet the demand for 4G handset replacement of all our customers.
- Offered affordable mobiles of 10 brands with almost 20 models for 2G mobile users which cost RMB200-999 via crowd-funding. Resources are traded off for exclusive partnership in order to drive the industry chain to follow suit.
- Launched such services as trade-in service, instalment service and mobile phone insurance to ease mobile phone replacement of users, with a view to promoting green and healthy development of the industry.
- Built up an innovative model featuring the use of terminals as carriers, OS and APP as touchpoints and data (business) operation as kernel, so as to create a cooperation ecosystem.

In 2017, China Unicom organised the “2017 Intelligent Terminal Industry Chain Industry-wide Strategic Cooperation Summit” in Chongqing, in which the “Industry Chain Cooperation Plan” was officially announced. This summit attracted an aggregate of 1,500 participating units exhibiting 500 models of products, with a transaction volume of 61 million 4G terminals.

Cooperation with open channels

In 2017, China Unicom carried out cooperation with 170,000 social channel operators, with a focus on strategic channels including Gome, Suning, D-phone and FunTalk. An operation management workflow covering “entry, grading, evaluation and exit” as well as an operation management system of “rating and grading” were established for the strategic channels. The cooperation with terminal sales channels such as Huawei, Gionee, OPPO and VIVO was fully upgraded while further efforts were made in the operation of membership system. In order to better protect the lawful rights of social channel operators, China Unicom continued to develop the centralised management system of channels so that the efficiency of payment of channel commission to agents could be further improved.

China Unicom Shanghai Branch entered into comprehensive cooperation with FamilyMart, which has over 1,200 stores in Shanghai. The cooperation included initiatives such as exchangeable member reward points, joint membership, retail store cooperation, broadband Wi-Fi and joint marketing based on Big Data, covering the aspects of data, living and entertainment, which forms a role model in the industry.

Cooperation with mobile virtual network operators (MVNO)

China Unicom attaches great importance to the MVNO pilot programme and actively supports the development of MVNO enterprises. In 2017, China Unicom engaged in MVNO business cooperation with 31 enterprises and commenced pilot programmes in 196 prefectural-level cities. As at the end of 2017, China Unicom had 44.92 million MVNO users, with a market share of 73%, demonstrating the wide recognition from regulatory authorities and the general public.

Cooperation with private capital in network deployment

By actively promoting social cooperation for broadband construction, China Unicom joined hands with private capital to facilitate the development of the industry. As at the end of 2017, over 28 million ports have been built under social cooperation, representing 14% of the total number of broadband ports. As for areas lacking in mobile network resources, we explored social cooperation for mobile network construction and at the same time reformed the operation mechanism, pilot programmes of which have been launched in Yunnan, Jiangxi and Sichuan.

China Unicom Yunnan Branch launched social cooperation projects for mobile services in seven prefecture-level cities, namely Baoshan, Nuijiang, Honghe, Zhaotong, Qujing, Chuxiong and Pu'er. It intended to invest approximately RMB1.2 billion in construction. Assuming an annual revenue growth of 20%, it expected to turn around losses in the business cooperation regions within five years.

COOPERATION WITH INTERNET COMPANIES

In 2017, China Unicom collaborated with 35 Internet companies such as Tencent, Alibaba, Baidu, DiDi and NetEase to launch over 40 2i2C projects, including the Tencent King Card, DiDi King Card and Baidu Grand Card, offering a total of 95 products. Our mobile APP has over 50 million monthly active users.

China Unicom and Tencent jointly launched the Tencent King Card to satisfy the data demand of specific customer segments and benefit consumers. The Tencent King Card is very popular as it allows users to enjoy an average monthly data traffic of 12GB for less than the price of a cup of coffee (RMB19).

In May 2017, China Unicom and DingTalk of Alibaba jointly launched a smart mobile office solution comprising “Dingtalk + Smart Office Phone + Ding Card” to assist small and medium enterprises to join the cloud and mobile era. As at the end of November 2017, we had over 1 million Ding Card users.

China Unicom launched an online privilege centre and introduced 24 partner companies including Tencent Video, JD.com, Ctrip, DiDi, ofo and Zhifu to meet the needs of users in the aspects of video, living, finance, travel and others.