

MESSAGE FROM CHAIRMAN



The year 2019, marking the 70th anniversary of the founding of New China, beheld the country's stamina for holistic transformation amid downward pressure. During the year, the telecom industry was at the historic confluence of remolding the industry ecosystem and setting a 5G paradigm which supports short-term growth and benefits long-term development. We spared no effort to focus on the priorities, stabilize the macro environment and set the agenda for future development. In adherence to new development philosophies and the strategy of Focus, Innovation and Cooperation, we deepened the construction of "Five New" China Unicom, implemented Internet-oriented operation transformation, advanced the mixed-ownership reform, and insisted on a sustainable development path in a bid to shoulder greater social responsibilities in the course of operation and development of the Company and make new contributions to the fulfillment of people's increasing demand for better information living.

Implementing the Cyber Superpower strategy and empowering industry transformation and upgrade. We gave full play to our "key player" role in building cyber superpower and a digital China. We accelerated the construction of the next-generation information infrastructure characterized by high speed, mobility, safety and ubiquity, advanced the supply-side structural reform in the cyberspace, and leveraged a new model of network "co-build and co-share" to promote 5G development, thus achieving the doubling of network coverage, network speed and bandwidth. VoLTE has been enabled automatically on our 4G network while our 4G population coverage reached 93%. Our network speed remained leading in the industry. We had 221 million broadband access ports in aggregate, and showcased gigabit-to-the-home broadband service in 131 cities in addition to basic 100Mbps offerings. Thanks to our thorough implementation of speed upgrade and tariff reduction as well as the mobile number portability, our mobile data tariff, SME broadband and Internet leased line tariffs, and international roaming tariff further decreased by over 20%, 15% and 29% respectively. Mobile number portability was successfully rolled out nationwide, by which we genuinely shared benefits with the society and let customers truly enjoy the freedom of communication, facilitating information consumption upgrade. With the belief that "innovation is the primary driving force for development", we accelerated our pace in seeking breakthroughs in core technologies in such information fields as 5G, Cloud Computing, Big Data, Internet of Things ("IoT"), artificial intelligence ("AI"), Blockchain and quantum communications, and submitted 500 international standards drafts and 1,439 patent applications. We stepped up driving the in-depth integration between the digital economy and real economy, focusing on the key sectors such as government affairs, education, medical and healthcare, transportation, tourism and industrial manufacturing, etc. In addition, we strengthened our innovative business capability cultivation and provided an extensive range of "smart+" applications and 5G industry applications, with the view to facilitating the transformation and upgrade of traditional industries, the economy and the society, as well as the shifting of growth drivers.

Boosting the sustainable development of the society with people-oriented mindset. We are always committed to sharing the achievements of the communication industry with the wider society and regard it as our aspiration and destination to fulfil people's growing demand for better communication services.

In order to carry through the high-quality development requirements and advance innovation in services and business models, we scored a first in launching our 5G brand “5G” and the tagline “Let the Future Grow”. We strengthened our smart home product portfolio and rolled out cross-territory integrated services to create centralised and intelligent service experience. We increased our efforts in preventing and cracking down on telecommunication frauds, so as to provide customers with affordable, effective and reliable information services. In addition, we developed a grand scheme for poverty alleviation and engaged deeply in targeted poverty alleviation. We undertook designated aid missions for 1,198 impoverished counties, arranged 322 projects for supporting local industries, and had 84% of the administrative villages under the coverage of our mobile network thanks to our rapid progress in universal information access services and network-based poverty alleviation program, which catalysed the triumph in the battle against poverty and facilitated the building of a moderately prosperous society in all respects. We successfully completed the mission of providing communication support for the celebration of the 70th anniversary of the founding of New China and other major events. We fully devoted ourselves to the prevention and control of the COVID-19 pandemic and set a record in completing the communication network coverage for Huoshenshan (Fire God Mountain) hospital and Leishenshan (Thunder God Mountain) hospital, which demonstrated our strength and responsibility as a state-owned enterprise. Out of our deep conviction of the symbiotic relationship between humankind and nature, we appropriated more funds for the special programs on promoting low-carbon technology and eliminating legacy capacity, strengthened control over electromagnetic radiation, established green digital business outlets, developed a green supply chain system and innovated on green solutions so as to deliver ecological benefits for the society.

Advocating joint discussion, development and creation to map out a smart cooperation ecosystem. In consistent adherence to the cooperation philosophy of “mutual consultation, joint development and win-win cooperation”, we furthered the cooperation with our strategic investors and partners in the industry chain in all aspects. We announced a new smart ecology strategy, officially launched the ecological cooperation brand of “China Unicom Empowerment”, established a granular cooperation system and made extensive deployments in the ecosystems for smart home, big video and pan-intelligent terminals. In order to accelerate the establishment of the cooperative innovation system for 5G development, we set up the “5G Application Innovation Alliance”, initiated the “5G International Cooperation Alliance”, and launched the “pioneer programme” to incubate industry application products, innovate business models, formulate industry standards, and set up capital cooperation platform focusing on 10+ major sectors with the view to building a thriving 5G industry ecosystem. We expanded the platform-based cross-industry partnership and enhanced cooperation with nationwide business chains such as postal services, finance, insurance, lottery, petrol station and express delivery to achieve resource sharing and win-win cooperation. We deepened capital cooperation and established such joint ventures as Yunjingwenlv, Yundee and iCloud Shield with Tencent, Kingdee and QI-ANXIN respectively. Besides, Smart Steps brought in JD Digits as its strategic investor. We soldiered on promoting the development of industry ecosystems and rectified cutthroat rivalries that hurt customer interests and industry value, aiming to promote the sustainable and healthy development of the industry as a whole.

Seeking further advancement in mixed-ownership reform to improve the corporate governance capacity. We endeavoured to modernize our governance regime and capability. We continued to deepen our organisational streamlining and managed to reduce the number of institutions at provincial and municipal levels by 10.5% and 24.7% respectively. We furthered the subdivision reform iteratively with a total of 24,000 “mini CEOs” elected and 177,000 employees have joined the subdivided units. Employees’ sense of ownership was truly activated. We fully advanced human resources reform and implemented reform in three systems. We formulated the “20 measures” for employee team building and strengthened development of young management team. We pushed ahead supply-side structural reform in personnel with the total number of four tiers of professionals reaching 15,000. Our persistence in the incremental revenue sharing mechanism and reform of the education and training system also helped enhance employees’ sense of reward and happiness. We implemented Internet-oriented operation transformation focusing on experience, marketing, products, IT, network, platform and ecosystem and management, in a bid to drive corporate efficiency enhancement. We continued to deepen mixed-ownership reform at the operational level. We completed the contract-out reform of China Unicom Yunnan Branch across the whole province and pushed ahead China Unicom Guangxi Branch’s partnership with private enterprises in seven cities. In the rectification of the “institutionalisation” issues at the headquarters, we undertook 26 rectification tasks in 6 aspects, facilitating the high-quality development of the Company. In addition to consolidating the state-owned capital, the mixed-ownership reform of China Unicom also contributed new mindset for stronger, better and larger state-owned enterprises.

The year of 2020 marks the beginning of comprehensive 5G network deployment and operation. China Unicom will adhere to the general principle of advancing with stability, new development philosophies and the central theme of supply-side structural reform. We will take advantage of the driving force of deeper reform, persist in the strategy of Focus, Innovation and Cooperation, deeply advance the mixed-ownership reform and build a “Five New” China Unicom. Further, we will steadily push forward Internet-oriented operation transformation on all fronts under the guideline of “enhancing value, pursuing growth, solidifying foundation and being passionate”, in an effort to create a new paradigm of high-quality development.

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