



MESSAGE FROM CHAIRMAN

The year 2020 was an extremely tough and extraordinary year. Facing the complicated internal and external dynamics, the severe impact of the novel coronavirus disease (the “pandemic”) and the arduous reform and development missions, we shouldered the responsibilities to fight against the pandemic, overcome major challenges, gather great wisdom and accumulate big momentum. On the one hand, we engaged in pandemic prevention and control. On the other hand, we pushed forward reform and transformation. We made every effort to create new digital edges, and actively served people’s growing needs for high-quality digital life. We leveraged our unique edges gained from the convergence of the upstream and downstream digital industry value chains following the mixed-ownership reform to empower the transformation and upgrade of thousands of industries and better serve the country’s major strategies and economic and social development, establishing a positive example in fulfilling economic, environmental and social responsibilities.

Coordinating reform, transformation and development to promote highly effective digital governance. We bravely acted as a “pioneer” and “vanguard” in digital transformation and smart operations. We promoted organic efficiency in business, products, services, management and processes through digitisation to ensure the organizational health and improve operating efficiency and customer service responsiveness. We strengthened data empowerment by creating a unified and agile digital foundation and enhancing middle platforms. We were the first in the industry to 100% complete cBSS migration and achieved interoperability and granular analysis and sharing of data in various domains, continuously empowering customers and the frontline. Adhering to the systematic concept, we consolidated and rationalised our mechanisms and systems, thoroughly reformed our operating systems, reengineered our workflows, implemented a director-based accountability system, conducted anti-bureaucracy reform at the headquarters, rebooted sub-division reform and deepened the market-oriented reform of subsidiaries and branch companies, stimulating the vitality of micro-entities at all levels and better adapting production relations to productivity growth. We also improved our internal control management system, strengthened supervision and assessment and enhanced closed-loop management to effectively prevent and resolve major risks and continuously enhance our competitiveness, innovation, control, influence, and risk management capabilities.

Deploying new digital infrastructure to empower high-quality digital development. As a “national team” in the development of cyber superpower and digital China, we shoulder the mission and responsibility of operators to lead the development of the digital economy. We accelerated the construction of high-speed, mobile, secure and ubiquitous digital infrastructure, and built the first and largest “co-build and co-share” 5G network in the world, consolidating China’s leading edges in 5G development in the world. We continued to promote the “co-build and co-share” of 4G networks, with a population coverage rate of over 94%, and the download speed maintaining the leading position in the industry for three consecutive years. The number of our broadband ports reached 225 million, and the average access speed increased by 24%. We accelerated the promotion of universal information services, and the coverage rate of mobile networks in towns reached 97.3%, laying a high-quality information foundation for the rapid development of digital economy. In order to promote digital transformation through technological innovation, we

increased the intensity of R&D investment, established joint laboratories, acquired outstanding IT talents, and promoted joint innovation among industries, academia, research sector and application development. We applied for 1,734 patents and our technological innovation significantly improved. We deployed digital technology to fortify our network security defence, making our network secure and controllable. We fully engaged in pandemic prevention and control, and persevered in our important duties to assure stable communication during the pandemic. We concentrated our resources and spared no effort to ensure smooth and reliable communication network for more than 2,000 key pandemic prevention hospitals, and successfully supported the communication at 40 high-level “cloud diplomacy” events, demonstrating our important contributions to the nation. We adhered to the harmonious coexistence of human and nature, vigorously promoted green and low-carbon technologies, strengthened electromagnetic radiation management and built a green supply chain to guard the safety boundary of natural ecology.

Adhering to people-oriented philosophy to serve high-quality digital life. As an operator which provides customers with high-quality services, we are committed to becoming a leading integrated digital service provider. We provided customers with convenient services by continuously expanding the supply of high-quality digital products, strengthening total life cycle management, enriching 5G package products, forging industry-leading cross-region integration capabilities, improving the “1+4+X” smart home product system and offering centralised smart customer services. Focusing on cloudification, Big Data analytics and intelligent transformation, we integrated advanced technologies such as 5G, AI and blockchain to help industries and enterprises improve quality and efficiency, and transform and upgrade. Building on proprietary capabilities, we strengthened our innovative product systems to help the digital transformation of industries such as aviation, coal, iron and steel, home appliances and machinery, etc. We opened up our smart brain data engine, gathered excellent ecological partners, and jointly built 67 municipal-level smart cities and 52 district/county-level smart cities. Building on the massive data from 31 provinces with centralised operations, we created a cloud-based, connected, data-driven, intelligent and operable “digital government” system structure, and developed new drivers for digital transformation driven by both platform system and operating system. Unicom Big Data Co., Ltd. won the title of “National Advanced Group in Fighting against COVID-19”. We deeply implemented “speed upgrade and tariff reduction”, with the average broadband and Internet dedicated line tariffs for corporate customers further reduced by over 15% and international roaming outbound data tariffs reduced by 4.5% year-on-year. We fully regulated the mobile number portability services, and customer service experience was significantly improved. With a goal of creating a “Smart Winter Olympics”, we overcame the major challenges brought by extreme winter and the pandemic, and meticulously pushed forward the network construction for the Winter Olympics to ensure that the network will be ready on time. By leveraging our network and technological edges and focusing our efforts on precise poverty alleviation, the Company successfully completed its targeted poverty alleviation and assistance missions. We arranged more than 3,000 poverty alleviation projects to lift more than 316,000 people from poverty, and we achieved the highest grade in the targeted poverty alleviation assessment for two consecutive years.

Advocating open cooperation and win-win to drive the digital upgrade of supply chain. We insisted on creating an “open, shared, inclusive and win-win” digital ecosystem, continued to deepen cooperation with strategic investors and industry-leading companies to promote the optimisation and upgrade of supply chain and value chain, and were one of the first to digitally transform our supply chain among central state-owned enterprises. We promoted the mutual development of various types of capital ownership structure and achieved complementary edges within an industry ecology and win-win cooperation. We promoted the ecological development of the industry, resolutely rectified vicious competition at the expense of customer interests and industry value to support the healthy and sustainable growth of the industry. We created a “new ecology” of smart living by leveraging our high-traffic portal, app to introduce third-party smart living resources, forming ecosystems in smart life, smart communication and smart entertainment, etc. We strengthened cooperation in the digital value chain and built a terminal cooperation ecosystem. We united more than 1,000 ecological chain companies to launch “Resonance Action 2020”, where we established a 5G XR terminal ecological alliance to jointly promote the in-depth development of the 5G terminal industry in specialised fields. We built a sustainable, high-quality, and ecological new system for channel cooperation and operation. Our online cooperation channels had more than 4,000 cloud stores and we had more than 20,000 micro-ecosystems, effectively driving O2O integration. We also carried out in-depth capital cooperation and successively established joint ventures such as iCloud Wisdom and Cloud Broadcasting. Through capital cooperation, we strengthened business cooperation with our partners to jointly provide customers with high-quality products and services.

Standing at a new starting point in 2021, we will strive to build a new development paradigm, deeply advance the three-year action plan of state-owned enterprise reform, and accelerate the comprehensive digital transformation. We will focus on shaping the new development advantages of high-quality services, high-quality development, highly effective governance, high-tech engines, and high-vitality operation. We will leverage the driving force of information and communication in the development of supply chain, the economy and society, and strive to achieve excellent results in the development of cyber superpower and digital China.

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