

# BUSINESS OVERVIEW

---



IN 2017, THE COMPANY DEEPEDED IMPLEMENTATION OF THE STRATEGY OF FOCUS, INNOVATION AND COOPERATION, ACTIVELY PROPELLING MIXED-OWNERSHIP REFORM TO PROMOTE BUSINESS DEVELOPMENT, ENABLING THE BUSINESS STRUCTURE TO BE FURTHER OPTIMISED AND A SIGNIFICANTLY HIGHER MIX OF BUSINESS TO COME FROM ONLINE CHANNELS, AND ACHIEVING A RELATIVELY FAST GROWTH IN INNOVATIVE BUSINESSES. THANKS TO THE CONTINUOUS COST RESOURCES OPTIMISATION, THE COMPANY ACHIEVED TURNAROUND IN OPERATING RESULTS.

**LU  
YIMIN**  
EXECUTIVE DIRECTOR  
AND PRESIDENT

## MOBILE SERVICE

In 2017, the Company actively promoted marketing model transformation and achieved rapid development in 212C business, realising growth in both service revenue and subscribers of mobile service. The Company saw O2O synergetic development with accelerated online services

Mobile billing subscribers witnessed a net increase of 20.34 million to a total of 284.16 million during the year. Mobile billing subscribers ARPU was RMB48.0. Mobile handset data traffic reached 7,786.0 billion MB, up by 384% year-on-year. Registered subscribers of "Unlimited Video Enjoyment" reached

# RN NET DNA

## *Emerging*

development and quality and efficiency enhancement in offline channels. The Company built existing users value enhancement system to accelerate the migration of 2G subscribers to 4G, and launched innovative "Unlimited Video Enjoyment" products to improve the subscriber mix and enhance values.

8.20 million with monthly active users exceeding 3.00 million. The user base of "WO Video" reached 30.99 million with monthly active users up to 8.63 million.

# Business Overview

---

## **FIXED-LINE SERVICE**

In 2017, the Company focused on “Mass Connection, High-bandwidth, Big Integration and Big Video” and launched “Fibre Broadband+”, a new broadband service brand. The Company actively promoted e-commerce business development model, integrated products offering and video add-on for broadband services, also pioneered market-oriented network deployment and fully promoted optical fibre network upgrade to improve network quality. The Company also vigorously pushed forward sub-division and contract-out (“mini CEO’s initiative”), aiming to stimulate front-line vibrancy and thus promoting business development. Leveraged on mixed-ownership reform, the Company further strengthened its cooperation with private capital. The number of broadband subscribers witnessed a net increase of 1.30 million to a total of 76.54 million. Broadband access ARPU was RMB46.3. FTTH subscriber penetration reached 77.3%, up by 6.1 percentage points year-on-year. The number of fixed-line local access subscribers decreased by 6.65 million to 60.00 million.

## **NETWORK CAPABILITIES**

In 2017, the Company pushed forward precise construction, continued to enhance network capabilities, and actively built up the 4G network with craftsmanship spirit. It achieved industry-leading average downlink & uplink speed on 4G, demonstrating precise and remarkable differentiation in key areas and in key scenarios. As at the end of 2017, the Company had a total

of 852,000 4G base stations in operation and its 4G coverage in towns and villages reached 90.0%. The Company used “differentiated strategies for Southern and Northern China” to enhance broadband capabilities, creating differentiated advantages in fibre broadband network. As at the end of 2017, the number of broadband access ports amounted to 200 million, 98.8% of which were FTTX access ports.

The Company continued to optimise its international network deployment. As at the end of 2017, its international submarine cable resource capacity reached 16.2T, international outbound Internet capacity reached 2.46T, homebound bandwidth reached 2.08T, with international roaming covering 607 operators in 252 countries and regions.

## **MARKETING**

### **Branding**

In 2017, the Company harnessed various major events, such as World Table Tennis Championships and National Games to reshape the brand image, and continued to improve business reputation by online targeted, innovative, and cross-sector communications. Meanwhile, the Company organised popular event such as “Craftsmanship Network Thousand Miles Walk” to promote the network advantages and solidify the image and position of premium network with craftsmanship spirit, while enhancing the brand influence of “China Unicom” and “WO” in an all-round manner.



### **Marketing Strategies**

In 2017, the Company strengthened the business synergy with strategic partners brought by mixed-ownership reform, innovated its business model to promote rapid development in 2I2C, launched a series of key products such as “Ice-cream Package” to facilitate subscriber acquisition and value enhancement. By strengthening brand perception, high-speed bandwidth, integrated products and quality video content, the Company continued to enhance the competitiveness of its broadband service while effectively promoting business transformation.

The Company developed public Cloud products under “WO Cloud” brand with partners including Alibaba and Tencent, expanded SME informatisation application market through promoting DingTalk with Alibaba, continued to optimise IDC business operation model to enhance the professional capability of ICT service, and drove scale development of Internet of Things to achieve faster growth in innovative services.

# *To boost* NEW EN FOR INN *Development*

### **Distribution Channels**

In 2017, the Company actively engaged in integrated O2O operations, speeded up the development and expanded the scale of online channels, enabling online channels to be the main channels to service its customers and the key channels for product sales. The Company also actively promoted transformation, enhanced efficiency and innovated its model for offline channels. The Company expanded light touch points and strengthened professionalised operation capabilities in order to maintain steady subscriber development. Through building Internet-based customer retention and value management systems, it enhanced customer retention rate. Committed to promoting full cost assessment extensively optimising store demographic, controlling the quantity of store and terminating channels with low efficiency and without contribution, the Company set to maximise the effectiveness of the marketing costs.

### **Customer Care**

In 2017, the Company further optimised its service standards and systems, leading to service advancement. By continuing to propel intelligent transformation and synergetic operation between traditional-service channels and Internet-service channels, and enriching operating measures in customer reward and loyalty programmes, the customer perception was improving on an ongoing basis. The Company also took proactive approach to mitigate service shortcomings and pain points, thus maintained the second lowest customer complaint rate and the industry lowest complaint rate for unsolicited charges during the year.

# ENERGY INNOVATIVE

KEY OPERATING DATA	2017	2016
<b>Mobile Billing Subscribers<sup>1</sup></b> (millions)	<b>284.2</b>	263.8
<b>4G Subscribers</b> (millions)	<b>174.9</b>	104.6
<b>Mobile Billing Subscribers ARPU</b> (RMB)	<b>48.0</b>	46.4
<b>4G Subscribers ARPU</b> (RMB)	<b>63.4</b>	76.4
<b>Fixed-line Broadband Subscribers</b> (millions)	<b>76.5</b>	75.2
<b>Fixed-line Broadband Access ARPU</b> (RMB)	<b>46.3</b>	49.4
<b>Fixed-line Local Access Subscribers</b> (millions)	<b>60.0</b>	66.7

Note 1: In order to better satisfy the strategic management needs of the Company, the Company's internal management and analysis in relation to the mobile service began to focus more on the mobile billing subscribers (which in general refer to subscribers who have revenue contribution in the current month) and 4G subscribers (mobile billing subscribers who possess 4G handsets and use the 4G network of the Company) from 2016. From January 2016 onwards, the aggregate number and net addition of mobile billing subscribers and 4G subscribers are disclosed. The adjustment in the disclosure of subscriber statistics does not affect the Company's revenue and profit recognition.