BUSINESS

In 2018, the Company deepened execution of the Strategy of Focus, Innovation and Cooperation and innovated business model to build an integrated O2O new retail system, in an enhanced effort to drive its transformation into an Internet-oriented operation, against the backdrop of profound changes in market environment, regulatory policy adjustments such as "Speed Upgrade and Tariff Reduction", intense competition in the industry, as well as challenges in operation and development.

MOBILE SERVICE

In 2018, China Unicom deepened its Internet-oriented transformation and proactively promoted China Unicom's "Five New" establishment, creating a new stage of development. The establishment of an integrated O2O channel regime came into full swing, as the Company made vigorous efforts to expand cross-sector touchpoints. Sub-division contracting on all fronts were introduced with a view to motivating frontline staff, to better identifying the critical needs of customers and create new demands. Internet services dedicated products were developed and continued to get upgraded and optimised with key products such as Tencent King Card and "ice-cream package" were promoted in full efforts, contributing to the growth in both revenue and return. The innovative online acquisition models were adopted to broaden and strengthen our online marketing ability enabling continuous expansion of our 2I2C business scale. The Company focused on VIP customers in key sector, leveraging "informatisation platforms + application privileges" as teaser supported by the Internet-oriented marketing tools and the synergetic O2O marketing model, to increase revenue contributions from vertical customers. Mobile billing subscribers witnessed a net addition of 30.87 million in the full year to a total of approximately 320 million. Mobile billing subscriber ARPU was RMB45.7. Mobile handset data traffic reached approximately 21.68 billion GB, up by 179% year-on-year.

FIXED-LINE SERVICE

Enriched video content and home service products in our fixed-line broadband offering, as well as the optimised broadband bundling package system, supported the Company to proactively counter competition. A nationwide marketing campaign entitled "New Video, High Quality and Toll-free Experience" was launched. Improvements were made to our online sales capability and our middle-office support, as the Company made great effort to develop e-commerce model for broadband service. The Company was committed to enhancing subscriber retention through measures such as increasing bundling penetration, top up with video services, extending contract period, value enhancement and other measures. Meanwhile, based on the need of integrated home communication services, the Company leveraged home network building service, its network edges and the capabilities of the strategic partners in mixed-ownership reform, to explore opportunities in the home Internet and thus developing a new revenue driver. The number of broadband subscribers witnessed a net addition of 4.34 million to a total of 80.88 million. Broadband access ARPU was RMB44.6. FTTH subscriber penetration reached 82%, up by 4.5 percentage points year-on-year. The number of fixed-line local access subscribers decreased by 4.10 million to 55.90 million.

OVERVIEW

LI GUOHUA
EXECUTIVE DIRECTOR AND PRESIDENT

BUSINESS OVERVIEW

Industry Internet Service focuses cloud service as the driver, a new integrated marketing model featuring "Cloud + Smart Network + X" targeting government and enterprise customers emerged. In 2018, revenue from cloud services amounted to RMB0.96 billion, up by 99% year-on-year. In connection with Big Data business, the Company focused on enhancement in core capabilities around products, platforms and R&D and achieved breakthrough in various sectors such as government affairs, finance, transportation and tourism, and security. Big Data revenue was RMB0.61 billion for 2018 which represented a year-on-year growth of 284%. In IoT business, the Company focused on the areas such as smart city, smart wearable devices,

Internet of Vehicles and smart manufacturing, and strengthened the servicing abilities in relation to connectivity management platforms and enabling application, in order to create end-to-end solutions. The Company served 0.11 billion connections and achieved revenue of RMB2.08 billion in 2018, representing a year-on-year growth of 48%. Our IT service focused on vertical empowerment for key sectors and the full-scale enhancement of our key proprietary capabilities, as we announced a range of industrial Internet applications, such as one-stop government services, smart Party organisation development, smart river-chief integrated management platform, medical imaging cloud and others. Revenue for IT service in 2018 amounted to RMB5.61 billion, up by 69% year-on-year.

NETWORK CAPABILITIES

In 2018, the Company fully implemented the "Focus Strategy", promoted the scientific and return-driven construction methodology and actively explored new models for Internet-oriented network construction, operation and optimisation, with a view to building a premium network with quality coverage and high speed connection trusted by customers. As at the end of 2018, the Company had a total of 0.99 million 4G base stations in operation and its 4G network coverage in towns and villages reached 91%. The Company continued to expand its fixed-line network coverage to new area and stepped up the network upgrade in area with PON+LAN. The number of broadband access ports amounted to 0.21 billion, of which 82% were FTTX access ports. For the transmission network, WDM/OTN production capacity was increased by 1.982 million wavelength km, while new optical fibre backbone trunk lines with a total distance of 4,781 cable km, translating to 267,000 fibre-length km.

The Company continued to optimise its international network deployment. As at the end of 2018, its international submarine cable resource capacity reached 21.8T, while its international outbound Internet capacity reached 2.2T with a homebound bandwidth of 2.4T. International roaming covered 616 operators in 253 countries and regions.

MARKETING
Branding

In 2018, the Company leveraged major events such as Winter Olympics, World Cup and World Table Tennis Championships to strengthen its brand image and the promotion of its key services such as 5G, mobile and broadband services. The Company continued to promote and enhance business reputation through target communications via online platforms, as well as innovative offline promotion activities. Meanwhile, the Company planned the launch of the "WO" branded animated cartoon character and the smart alliance, further cultivating an Internet-oriented brand image.

Marketing Strategies

In 2018, the Company strengthened the awareness of threat and proactively responded to competition with the effort at every level, as if it were the final battle. The Company persisted in carrying forward both the effective traditional models and the innovative models, in diversifying the development of channels as well as efficiency and quality enhancement. While attaching importance to both public and corporate markets, the Company focused on key services and delivered with in-depth and thorough efforts. The Company retained and expanded the subscriber base through the snowballing effect: from one to many, and from single to bundled services. New subscribers were acquired through channel empowerment, touchpoint expansion and breakthrough in specialised government and enterprise projects. The Company strengthened the effort in customer retention with immense effort to enhance value. In connection with e-channels, the Company sought cooperation in broader scope and greater depth, as we leveraged the great publicity of our partners and opportunities afforded by various festivals to conduct joint marketing, in order to maintain expansion scale of our 2I2C. Public cloud products under the brand of "WO Cloud" were co-developed with partners such as Alibaba and Tencent, while joint venture companies were set up with Alibaba and Wangsu, respectively, to develop new integrated marketing models for government and enterprises.

Channel Strategies

In 2018, the Company focused on the development of a new integrated O2O retail system with "ecology-oriented, Big Data, integrated, experience-rich" characteristics. In online operation, touchpoint cooperation was further expanded to increase the ability to attract and acquire subscribers from peers. Base on mobile channels, the Company built its proprietary touchpoint networks in a major effort to enhance our ability in online channel cooperation and centralised operation, with a view to developing the online channel into the major channel for value creation and generating incremental revenue and higher efficiency. In offline operation, the distribution of self-controlled stores was optimised and ongoing efforts were made to improve the mix of open channels, so as to ensure sound, Internet-oriented transformation of traditional channels.

Customer Care

In 2018, driven by NPS score and customer experience, the Company developed an integrated operation and management system to accelerate the progress of Internet-oriented development of our services and the customer-oriented reforms of key processes. Specific programmes focused on tackling of the critical and crucial issues of customers were also launched. As at the end of the year, NPS for mobile and broadband improved by 5.1 and 9.5 points, respectively, indicating continuous enhancement of customer perception.