CHINA TOWER
中国铁塔

中國鐵塔股份有限公司
CHINA TOWER CORPORATION LIMITED

(A joint stock company incorporated in the People's Republic of China with limited liability)
Stock Code: 0788

GLOBAL OFFERING

Joint Sponsors

CICC 中金公司 | Goldman Sachs

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

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Joint Bookrunners and Joint Lead Managers
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農銀國際 ABC INTERNATIONAL | BNP PARIBAS | BOC INTERNATIONAL | 建银国际 CCB International | CMS 招商證券國際

中信建投國際 CHINA SECURITIES INTERNATIONAL | 招銀国际 CMB INTERNATIONAL | HSBC | ICBC 工银国际 | Morgan Stanley | UBS

IMPORTANT: If you are in any doubt about this prospectus, you should obtain independent professional advice.

CHINA TOWER
中国铁塔

China Tower Corporation Limited
中 國 鐵 塔 股 份 有 限 公 司

(A joint stock company incorporated in the People's Republic of China with limited liability)

Number of Offer Shares under the Global Offering	:	**43,114,800,000 H Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	:	**2,155,740,000 H Shares (subject to adjustment)**
Number of International Offer Shares	:	**40,959,060,000 H Shares (subject to adjustment and the Over-allotment Option)**
Maximum Offer Price	:	**HK$1.58 per H Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	:	**RMB1.00 per H Share**
Stock code	:	**0788**

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Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Appendix VIII — Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong. The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be fixed by agreement between the Joint Representatives (on behalf of the Joint Bookrunners and the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around Wednesday, August 1, 2018 (Hong Kong time) and, in any event, not later than Tuesday, August 7, 2018 (Hong Kong time). The Offer Price will be not more than HK$1.58 and is currently expected to be not less than HK$1.26 per Offer Share. If, for any reason, the Offer Price is not agreed by Tuesday, August 7, 2018 (Hong Kong time) between the Joint Representatives (on behalf of the Joint Bookrunners and the Underwriters) and us, the Global Offering will not proceed and will lapse.

Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price of HK$1.58 for each Hong Kong Offer Share together with brokerage of 1.0%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price as to be finally determined is less than HK$1.58.

The Joint Representatives (on behalf of the Joint Bookrunners and the Underwriters) with our consent may, where considered appropriate, reduce the number of Hong Kong Offer Shares and/or the indicative Offer Price range below that is stated in this prospectus (which is HK$1.26 to HK$1.58) at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Hong Kong Offer Shares and/or the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notices will also be available on the website of the Company at www.china-tower.com and on the website of the Hong Kong Stock Exchange at www.hkexnews.hk. Further details are set forth in "Structure of the Global Offering" and "How to Apply for the Hong Kong Offer Shares" in this prospectus.

We are incorporated in, and all of our operating revenue is derived from, the PRC. Potential investors should be aware of the differences in the legal, economic and financial systems between the PRC and Hong Kong and that there are different risk factors relating to investment in PRC incorporated businesses. Potential investors should also be aware that the regulatory framework in the PRC is different from that in Hong Kong and should take into consideration the different market nature of the H Shares. Such differences and risk factors are set out in "Risk Factors," "Appendix V — Summary of Certain Legal and Regulatory Matters" and "Appendix VI — Summary of Articles of Association" to this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Representatives (on behalf of the Joint Bookrunners in relation to the Hong Kong Public Offering and the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. See "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for termination" of this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may be offered and sold only (a) in the United States to "Qualified Institutional Buyers" in reliance on Rule 144A under the U.S. Securities Act or another exemption from, or in a transaction not subject to, the registration requirements under the U.S. Securities Act and (b) outside the United States in an offshore transaction in accordance with Regulation S under the U.S. Securities Act.

July 25, 2018

Latest time for completing electronic applications under **White Form eIPO** service through the designated website **www.eipo.com.hk**[2]	11:30 a.m. on Tuesday, July 31, 2018
Application lists open[3]	11:45 a.m. on Tuesday, July 31, 2018
Latest time for lodging **WHITE** and **YELLOW** Application Forms	12:00 noon on Tuesday, July 31, 2018
Latest time for giving **electronic application instructions** to HKSCC[4]	12:00 noon on Tuesday, July 31, 2018
Latest time for completing payment for **White Form eIPO** applications by effecting Internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Tuesday, July 31, 2018
Application lists close[3]	12:00 noon on Tuesday, July 31, 2018
Expected Price Determination Date[5]	Wednesday, August 1, 2018

Announcement of:

- the Offer Price;
- the level of applications in the Hong Kong Public Offering;
- the level of indications of interest in the International Offering; and
- the basis of allotment of the Hong Kong Offer Shares

to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), and on the website of the Hong Kong Stock Exchange at **www.hkexnews.hk**[6] and the Company's website at **www.china-tower.com**[6] on	Tuesday, August 7, 2018
Announcement of results of allocations in the Hong Kong Public Offering (including successful applicants' identification document numbers, where appropriate) will be available through a variety of channels (see "*How to Apply for the Hong Kong Offer Shares — 11. Publication of Results*") from	Tuesday, August 7, 2018

Results of allocations in the Hong Kong Public Offering will be available at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function from . . . . Tuesday, August 7, 2018

H Share certificates in respect of wholly or partially successful applications to be despatched or deposited into CCASS on or before[7] . . . . Tuesday, August 7, 2018

White Form e-Refund payment instructions/refund cheques in respect of wholly or partially unsuccessful applications to be despatched on or before[8] [9]. . . . . Tuesday, August 7, 2018

Dealings in the H Shares on the Hong Kong Stock Exchange expected to commence at 9:00 a.m. on . . . . Wednesday, August 8, 2018

The application for the Hong Kong Offer Shares will commence on Wednesday, July 25, 2018 through Tuesday, July 31, 2018, being slightly longer than normal market practice of four days. The application monies (including the brokerages, SFC transaction levies and Hong Kong Stock Exchange trading fees) will be held by the receiving banks on behalf of the Company and the refund monies, if any, will be returned to the applicants without interest on Tuesday, August 7, 2018. Investors should be aware that the dealings in the H Shares on the Stock Exchange are expected to commence on Wednesday, August 8, 2018.

Notes:

(1) All dates and times refer to Hong Kong local time, except as otherwise stated. For details of the structure of the Global Offering, including conditions of the Hong Kong Public Offering, see "*Structure of the Global Offering*."

(2) You will not be permitted to submit your application to the **White Form eIPO Service Provider** through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of the application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, July 31, 2018, the application lists will not open on that day. See "*How to Apply for the Hong Kong Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists*" for further details.

(4) Applicants who apply for the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should see "*How to Apply for the Hong Kong Offer Shares — 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS*."

(5) The Price Determination Date is expected to be on or about Wednesday, August 1, 2018, and, in any event, not later than Tuesday, August 7, 2018. If, for any reason, the Offer Price is not agreed between the Joint Representatives (on behalf of the Joint Bookrunners and the Underwriters) and us on or before Tuesday, August 7, 2018, the Global Offering will lapse.

(6) None of the website or any of the information contained on the website forms part of this prospectus.

(7) No temporary documents of title will be issued in respect of the Offer Shares. H Share certificates will only become valid certificates of title provided that (i) the Global Offering has become unconditional in all respects and (ii) the Underwriting Agreements have not been terminated in accordance with their respective terms prior to 9:00 a.m. on the Listing Date. Investors who trade H Shares on the basis of publicly available allocation details prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

(8) Applicants who apply for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offering and have provided all required information may collect refund cheque(s) (where applicable) and/or H Share certificate(s) (where applicable) in person from our H Share Registrar, Computershare Hong Kong Investor Service Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, August 7, 2018. Applicants being individuals who are eligible for personal collection must not authorize any other person to make collection on their behalf. Applicants being corporations who are eligible for personal collection must attend by their authorized representatives each bearing a letter of authorization from their corporation stamped with the corporation's chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity to our H Share Registrar. Uncollected H Share certificates and refund cheques will be dispatched by ordinary post at the applicants' own risk to the addresses specified on the relevant Application Forms. For details of the arrangements, see "*How to Apply for the Hong Kong Offer Shares — 14. Despatch/Collection of Share Certificates and Refund Monies*."

(9) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application.

The H Share certificates will only become valid certificates of title provided that the Global Offering has become unconditional in all respects and neither the Hong Kong Underwriting Agreement nor the International Underwriting Agreement is terminated in accordance with its respective terms prior to 8:00 a.m. on the Listing date (which is expected to be on or about Wednesday, August 8, 2018). Investors who trade the H Shares on the basis of publicly available allocation details prior to the receipt of H Share certificates or prior to the H Shares certificates becoming valid certificates of title do so entirely at their own risk.

The above expected timetable is a summary only. For details of the structure of the Global Offering, including its conditions, and the procedures for applications for Hong Kong Offer Shares, see the sections headed "*Structure of the Global Offering*" and "*How to Apply for the Hong Kong Offer Shares*" in this prospectus respectively.

> ***This prospectus is issued by China Tower Corporation Limited solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to subscribe for or buy any security other than the Hong Kong Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to subscribe for or buy any security in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not included in this prospectus must not be relied on by you as having been authorized by us, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors or advisors, or any other person or party involved in the Global Offering. Information contained on our website, located at www.china-tower.com, does not form part of this prospectus.***

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This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are the world's largest telecommunications tower infrastructure service provider. As of March 31, 2018, we operated and managed 1,886,454 sites and served 2,733,500 tenants. According to the F&S Report, in and as of December 31, 2017, we ranked first among the global telecommunications tower infrastructure service providers in terms of the number of sites, the number of tenants, and revenue. According to the F&S Report, our market share in the PRC telecommunications tower infrastructure industry was 96.3% in terms of the number of sites and 97.3% in terms of revenue in and as of December 31, 2017. We are an indispensable driving force in the implementation of China's strategy of building strength in cyberspace (the "**Cyber Power**" strategy).

Our nationwide site resources allow us to have the most competitive position in the PRC market. As of March 31, 2018, our sites were spread across 31 provinces, municipalities and autonomous regions in the PRC, covering all cities and extensive rural areas. According to the F&S Report, we have an extensive geographic distribution of our sites, which are strategically located in the PRC. Our site density is relatively greater in the areas with more developed economy and higher density of wireless communications users.

BUSINESS MODEL

We are primarily engaged in the following businesses:

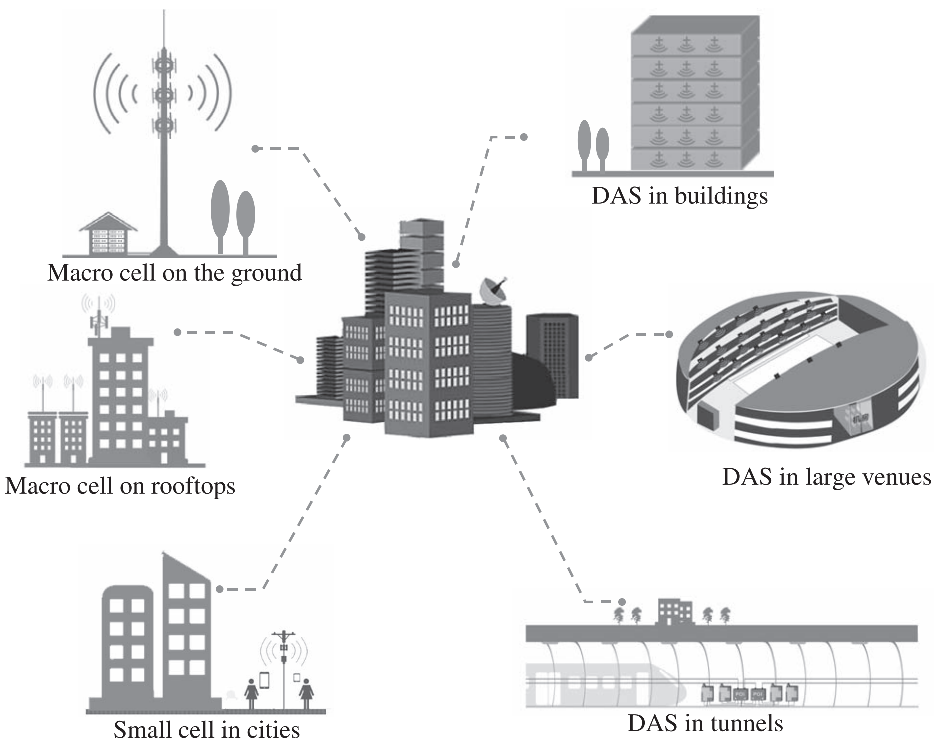
- Tower business: Using our sites, we carry out macro cell and small cell businesses with telecommunications service providers ("**TSPs**").
  - Macro cell business: We provide site space, including towers and shelters or cabinets, to TSPs and to host their antennas and other macro cell equipment. Through macro cell business, we support TSPs to achieve the extensive coverage of their wireless communications networks in the PRC.
  - Small cell business: We provide site space, including towers, poles, other infrastructure resources and cabinets, to TSPs and to host their small cell equipment. Through small cell business, we support TSPs to densify the coverage and increase the capacity of the wireless communications networks built up by their macro cell equipment, particularly in urban areas with high density of population and buildings and certain non-urban areas.

- DAS business: We provide indoor distributed antenna systems to TSPs and to attach their telecommunications equipment. Through our DAS business, we support TSPs to achieve the in-depth coverage of wireless communications networks in buildings and tunnels.

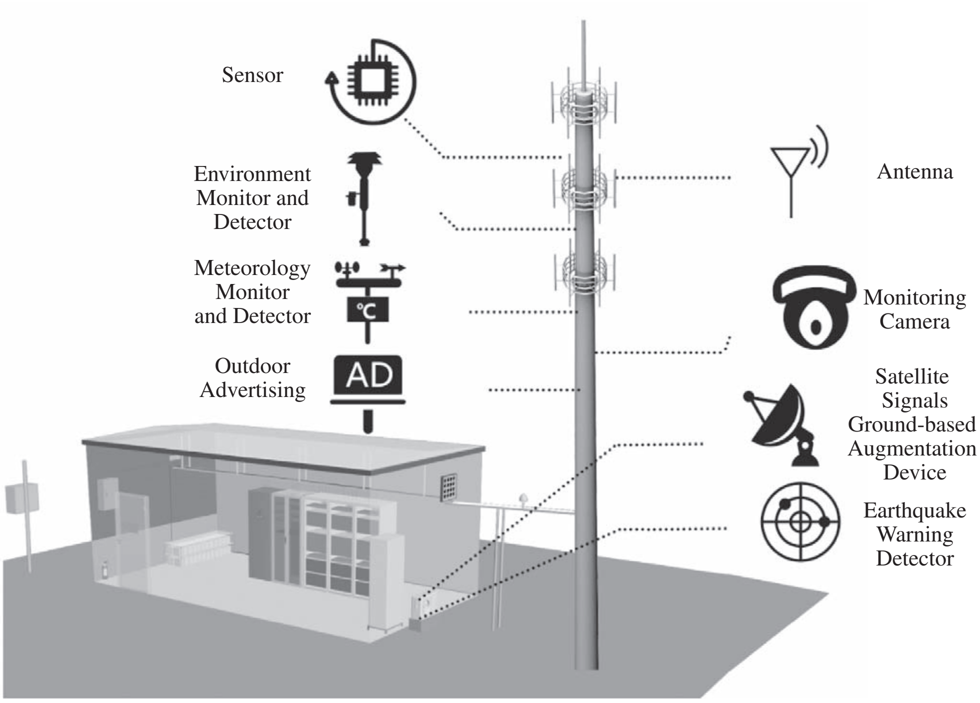
- Trans-sector site application and information business ("**TSSAI**" business): Using our sites dispersed nationwide, we provide site resource services, including our infrastructure, maintenance services and power services, to host different types of devices for our customers from different industries and support them to build up different types of nationwide or regional networks. Furthermore, by integrating data collection devices, transmission networks, data platforms and other resources, we provide site-based information services, including data collection, transmission, analysis and application.

We primarily conduct tower and DAS businesses with TSPs using our extensive site resources. In addition to offering site space to TSPs, we provide them ancillary equipment, maintenance services and power services at our sites. Given the vast territory with complex geographical features and various wireless communications coverage requirements, we use different solutions for providing our infrastructure and services under different scenarios to address coverage needs of TSPs. While maintaining stable and predictable sources of operating revenue and cash flows from these two businesses, we are also engaged in TSSAI business with customers from different industries to meet their needs and to enhance our profitability.

The following diagram generally illustrates our tower and DAS businesses with TSPs in certain scenarios.



The following diagram generally illustrates our TSSAI business based on our site resources.



The table below sets out the breakdown of our operating revenue for the periods indicated.

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
			(RMB million)		
				(unaudited)	
Tower business	8,756	55,552	67,085	16,254	16,723
Macro cell business	8,756	55,552	66,828	16,208	16,639
Small cell business(1)	—	—	257	46	84
DAS business	45	421	1,284	186	391
TSSAI business(2)	—	19	169	6	113
Others(3)	1	5	127	3	17
Total	**8,802**	**55,997**	**68,665**	**16,449**	**17,244**

Notes:

(1) We were not engaged in small cell business in 2015 and 2016.

(2) We were not engaged in TSSAI business in 2015.

(3) Revenue from others include revenue generated from transmission services, commissions for paying electric power charges on behalf of customers, and income from leasing some of our properties. Through our transmission services, we provide short interval tubes, poles and other facilities to our tenants.

OUR BUSINESS RELATIONSHIPS WITH TSPS AND INCREASING RELEVANCE TO NON-TELECOM INDUSTRIES

TSPs primarily provide wireless communications, fixed communications and Internet access services to telecommunications users in the PRC. TSPs provide their wireless communications networks for users to access and use wireless communications services. To do this, TSPs require sites for hosting telecommunications equipment and building out their wireless communications networks. TSPs have historically acquired, constructed and maintained the sites by themselves. To alleviate the burden of capital expenditures and with a view to systematically improving their cost position, TSPs are increasingly opting to use sites and services provided by telecommunications tower infrastructure service providers, who allow TSPs to share sites and achieve network coverage and expansion through consolidated site resources. We, as a key supplier of TSPs in the PRC, provide them with site resources and related services. See "*Industry Overview — Overview of the Telecommunications Tower Infrastructure Industry.*"

We are the world's largest telecommunications tower infrastructure service provider with a commanding market position in the PRC. As the coordinator of the co-location of telecommunications tower infrastructure in the PRC, our site resources and services are essential and fundamental to the nationwide enhancement of 4G network and the future build-out of 5G network by China Mobile, China Unicom and China Telecom (the "**Big Three TSPs**") in the PRC telecommunications market. All of the Big Three TSPs are global leading TSPs. According to the F&S Report, as of December 31, 2017, their total market share in the PRC wireless communications market was approximately 100%. The PRC wireless communications market has seen sustainable and rapid development in recent years. According to the F&S Report, the PRC has the world's largest wireless communications user base, which continues to grow, and is expected to reach 1.56 billion in 2022. The wireless communications data traffic per capita in the PRC increased at a high growth rate from 0.8 GB per year in 2012 to 17.4 GB per year in 2017, representing a CAGR of 85.5%, and is expected to maintain a relatively high growth from 2017 to 80.5 GB per year in 2022, representing a CAGR of 35.9%. Driven by factors including the growth in the number of users and data traffic of wireless communications in the PRC market, from 2017 to 2022, the size of the PRC telecommunications tower infrastructure market is expected to increase steadily from RMB70.6 billion to RMB109.1 billion, representing a CAGR of 9.1% according to the F&S Report.

Our long-term relationships with the Big Three TSPs are mutually beneficial and complementary. We consolidate demands from TSPs for their wireless communications coverages and match such demands with our site resources. Based on the matching result, we can satisfy such demands either by augmenting our existing sites or by identifying and building new sites. We also offer TSPs integrated solutions for wireless communications coverage. As we combine and coordinate our macro cell, small cell and DAS businesses in a specific area, we can support TSPs to broaden their wireless communications coverages and increase their wireless communications network quality, with relatively lower costs. We support the Big Three TSPs in the PRC to operate the world's largest wireless communications network in terms of the number of base stations, and also benefit from the rapid development of the wireless communications industry.

We have entered into long-term agreements with the Big Three TSPs, including the Commercial Pricing Agreements, the Supplemental Agreements to the Commercial Pricing Agreements and the Service Agreements. Under these agreements, they agreed to pay us total fee according to payment schedules and compensations as a result of early termination of the services for their own reasons. For information on the principal terms of such agreements, see "*Connected Transactions — Principal Services Provided to the Telecom Shareholders — Agreements related to the Principal Services Provided to the Telecom Shareholders.*"

According to the Circular [2014] No. 586, Circular [2016] No. 142, Circular [2017] No. 92 and Circular [2018] No. 82, the TSPs are in principle required not to build ancillary facilities for base stations such as towers, and indoor distributed antenna systems at key venues such as subways, high-speed railways, expressways and transportation hubs, and we shall coordinate the co-location of telecommunications towers. According to the F&S Report, our preeminent position in the PRC market allows us to minimize the contract renewal risk, and since replacing a telecommunications tower infrastructure service provider is costly and it may impact the network coverage, TSPs generally have a stable business relationship with their existing telecommunications tower infrastructure service providers. We believe that our quality customers provide solid assurance for predictable and stable sources of our revenue, and allow us to achieve sustainable growth in our revenue and cash flows, which will enhance our enterprise value.

In addition, technologies such as IoT, big data and artificial intelligence have been developing rapidly in the PRC and are driving rapid growth in the demand for informatization in all industries. In response to this trend and by expanding the scope of our services, improving the value proposition of our services and addressing needs of customers from different industries, we conduct our TSSAI business to increase our marginal profit and develop our diverse businesses. During the Track Record Period, the number of our customers in, and the revenue from, our TSSAI business continued to grow. The accumulated number of our customers increased from 281 as of December 31, 2016 to 1,758 as of March 31, 2018, while the number of our tenants increased from 2,169 as of December 31, 2016 to 45,674 as of March 31, 2018. We believe the expansion of our TSSAI business will help us create new business opportunities and growth areas.

We endeavor to achieve sustainable growth in our business by (i) reinforcing our backbone business of telecommunications tower infrastructure services, and (ii) further growing our business through vigorous development of our TSSAI business. Please see "*Business — Business Strategies.*"

Given the growth prospects of telecommunications tower infrastructure service industry, our commanding market position, the increasing demands by TSPs in line with the further enhancement of 4G network and the future build-out of 5G network in the PRC, our long-term and stable relationships with TSPs, the supports from favorable government policies and the new business opportunities and growth areas in our TSSAI business, we believe we will continue to grow in, and benefit from, such sustainable and favorable environment.

SITE SHARING AND CO-LOCATION

We consistently apply the "sharing" philosophy to guide our business operations and create growth opportunities. We consolidate demands from TSPs for their wireless communications coverages and encourage them to share our sites through co-location. To facilitate our site co-location, we offer attractive co-location discounts to the Big Three TSPs and encourage them to co-locate at our existing sites or new sites to be built. Co-location by TSPs also allows us to enhance our profitability. Increasing one additional tenant at a site normally requires lower capital expenditures for augmentation than those for building a new site. As compared to serving a single tenant, serving multiple tenants at a site increases our marginal profit, even after the co-location discounts. To further site sharing, we also provide site resources services and site-based information services to accommodate diverse needs of customers from different industries. This also helps to expand the functionality of our sites from serving as telecommunications towers to serving as multi-use towers with a greater base for sharing. Being proactive to government policy which supports our access to infrastructure resources, we will be able to further diversify site sources by sharing, and expanding the functionality of, public utility towers and poles.

PRICING

The prices for our services are determined with reference to our costs, the pricing mechanism as agreed between us and our major customers and market prices. The detailed pricing mechanism for our services provided in our tower business and DAS business, including site space, indoor distributed antenna systems, maintenance services and power services, are prescribed under the Commercial Pricing Agreements and supplemental agreements thereto entered into between the Company and each of the Big Three TSPs. Such pricing mechanism was determined after arm's length negotiations by the relevant parties during the ordinary and usual course of business of the Company with reference to the construction cost, maintenance cost, site fee, management cost, operating cost, labor cost and appropriate profit margin, as applicable, of each service we provide. For more details of the pricing mechanism for tower and DAS business, see "*Connected Transactions — Principal Services Provided to the Telecom Shareholders — Agreements related to Principal Services Provided to the Telecom Shareholders.*" For services in TSSAI business, the prices are determined by negotiating with customers with reference to market prices. For more details, see "*Business — Pricing.*"

OUR CUSTOMERS

Our customers are all based in the PRC, among which the Big Three TSPs are our most important customers. In conducting our TSSAI business, we have customers from different industries such as environmental protection, broadcasting and digital television, satellite positioning, energy, marine and agriculture. With respect to our TSSAI business, the accumulated number of our customers increased from 281 as of December 31, 2016 to 1,758 as of March 31, 2018.

The following table sets out our operating revenue by customer and as percentages of our operating revenue for the periods indicated.

	Year Ended December 31,						Three Months Ended March 31,			
	2015		2016		2017		2017		2018	
	(RMB million)	%	(RMB million)	%	(RMB million)	%	(RMB million) (unaudited)	%	(RMB million)	%
China Mobile[1]	4,560	51.8	28,646	51.2	36,804	53.6	8,654	52.6	9,465	54.9
China Unicom[2]	2,314	26.3	15,063	26.9	16,232	23.7	4,134	25.2	3,884	22.5
China Telecom[3]	1,927	21.9	12,263	21.9	15,467	22.5	3,656	22.2	3,788	22.0
Other customers	1	0.0	25	0.0	162	0.2	5	0.0	107	0.6
Operating revenue	8,802	100	55,997	100	68,665	100	16,449	100	17,244	100

Notes:

(1) Refers to China Mobile Company and its subsidiaries. China Mobile Company directly held approximately 38.0% of our share capital as of the Latest Practicable Date.

(2) Refers to China Unicom Corporation. China Unicom Corporation directly held approximately 28.1% of our share capital as of the Latest Practicable Date.

(3) China Telecom directly held approximately 27.9% of our share capital as of the Latest Practicable Date.

Customers are those who use our site space and services pursuant to the relevant contractual arrangements. Demands of one customer may involve multiple sites and different types of business. One site generally can host equipment of different customers and serve multiple business needs from one customer.

To effectively evaluate our business performance on a site-by-site basis, we use the number of tenants as an important metric for assessing the utilization and capacity of our sites. A tenant refers to a customer engaged with us in one type of business at one site. Since a customer may be engaged with us in multiple types of business at one or more sites, one customer may be corresponding to multiple tenants. For calculation of the number of tenants, please see "*Glossary of Technical Terms — tenant*." As of March 31, 2018, the number of our tenants and TSP tenants was 2,733,500 and 2,687,826, respectively, and the tenancy ratio of all tenants and TSP tenants for tower sites was 1.45 and 1.43, respectively.

As far as our Directors are aware of, during the Track Record Period, save for the three Telecom Shareholders, neither the Directors, their respective associates, nor any Shareholders who own more than 5% of our issued shares to the best knowledge of the Directors, had any interest in any of our five largest customers.

PROCUREMENT AND SUPPLIERS

We established an online procurement platform that features e-commerce and a "one click to serve nationwide" function (the "**E-procurement platform**"). Our E-procurement platform covers materials and services required in our construction, operation and management. The materials we procure mainly include construction materials for towers and shelters, ancillary equipment, power supply equipment, air conditioners and distributed antenna systems. In addition, we primarily procure construction design and field services, including site inspection, survey, supervision, construction and maintenance on sites. For materials and services that are not suitable for purchasing through our E-procurement platform and large-scale construction projects for which the procurement procedures are stipulated under PRC laws and regulations, we conduct procurement through a conventional bidding and quoting process and manage the whole process of such procurement through our IT system.

Procurements from our five largest suppliers accounted for approximately 12.9%, 14.5%, 18.2% and 21.4% of our total procurement expenditures and expenses in 2015, 2016 and 2017 and the three months ended March 31, 2018, respectively, while purchases from the largest supplier accounted for approximately 9.4%, 8.3%, 12.4% and 13.7% of our total procurement expenditures and expenses in 2015, 2016 and 2017 and the three months ended March 31, 2018, respectively. Procurement expenditures and expenses represent (i) the addition of property, plant and equipment, land use right and software in our statements of balance sheet on accrual basis, and (ii) site operating lease charges, repairs and maintenance and other operating expenses, which are expensed as incurred and recorded in our statements of comprehensive income on accrual basis. As our suppliers, Telecom Group Companies and their respective associates provide materials, property leasing, telecommunications services as well as design, supervision, construction, maintenance services and power generation services to us and were among the five largest suppliers respectively in 2015, 2016 and 2017 and the three months ended March 31, 2018. In addition, we purchased batteries and telecommunications equipment from other suppliers during the Track Record Period.

COMPETITION

According to the F&S Report, as of December 31, 2017, there were over 200 companies providing telecommunications tower infrastructure services and competing in the PRC telecommunications tower infrastructure industry, of which less than ten companies each owned more than 1,000 sites. The following table sets out the ranking of the top five participants in the PRC telecommunications tower infrastructure market as of December 31, 2017.

	Company	Number of sites	Revenue in 2017 (RMB million)	Market share in terms of revenue
1	The Company	1,872,154	68,665	97.25%
2	Company A	17,260	545	0.77%
3	Company B	4,200	72	0.10%
4	Company C	4,300	57	0.08%
5	Company D	1,900	27	0.04%

Source: F&S Report

COMPETITIVE STRENGTHS

We believe we possess the following competitive strengths:

- Commanding market position: We are the world's largest telecommunications tower infrastructure service provider and an indispensable driving force in the implementation of China's "Cyber Power" strategy.

- Sustainable and favorable development environment: We benefit from the opportunities arising from the sustainable and rapid development of the PRC wireless communications industry as well as favorable policy support from the government.

- Sharing-oriented business model: It allows us to enhance our profitability by increasing tenancy ratio and marginal profit.

- Stable and predictable sources of operating revenue and cash flows: Our major customers are global leading TSPs, with whom we have signed long-term agreements.

- Outstanding capability to provide comprehensive services: Having a broad service scope in the PRC, we offer integrated services, which strengthens our market leading position and expands our customer base across sectors.

- Great potential for business with customers from different industries: Based on our unparalleled site resources and outstanding capability in providing integrated services, we explore new business growth areas.

- Leading operational efficiency: An efficient, innovative and sophisticated management model allows us to achieve operational efficiency and optimize operating costs.

- Experienced management and high caliber employees: They provide significant support for our business development and implementation of our strategies.

BUSINESS STRATEGIES

By reinforcing our backbone business of telecommunications tower infrastructure services and further growing our business through vigorous development of our TSSAI business, we endeavor to be a world-class information communications infrastructure service provider.

In order to execute our business strategies, we plan to adopt the following measures:

- For tower business, we will strengthen our industry leading position.
- For DAS business, we will improve our ability to satisfy our customers' demands.
- For innovative energy services, we will promote green energy application.
- For TSSAI business, we will explore growth potential for serving the informatization demands by customers from various industries.
- For overseas expansion, we will prudently seek development opportunities.

In addition to the above business measures, we will carry out our strategies by further enhancing management model innovation capability, cultivating our talent and performing our social responsibilities: (i) further enhance our management model innovation to increase our operational efficiency; (ii) cultivate talents to drive our sustainable development; and (iii) fulfill our social responsibilities to raise our corporate image and social value.

HISTORY AND MAJOR ACQUISITIONS

We were established on July 15, 2014 with the Telecom Shareholders as our promoters. In December 2015, we issued new Shares to the Telecom Shareholders and China Reform which was introduced as a new Shareholder. As of the Latest Practicable Date, each of China Mobile Company, China Unicom Corporation, China Telecom and China Reform held approximately 38.0%, 28.1%, 27.9% and 6.0% of our issued share capital.

We have been actively expanding our businesses since our establishment. In October 2015, we entered into the agreements for the Tower Asset Acquisitions from (i) the Telecom Group Companies and their respective subsidiaries and (ii) the Telecom Shareholders and their respective subsidiaries, respectively, and commenced substantive commercial operations. The consideration was determined based on arm's length negotiation among the parties and with reference to, among other things, the appraisal value of the target assets. For more details, see "*History and Development — Major Acquisitions*."

OUR SINGLE LARGEST SHAREHOLDER

As of the Latest Practicable Date, China Mobile Company, directly held 38.0% of our share capital. Immediately following the completion of the Global Offering, China Mobile Company will directly hold 28.5% of our share capital (assuming the Over-allotment Option is not exercised) and remain as our single largest Shareholder, and CMCC will remain as our ultimate single largest Shareholder.

To the best knowledge of the Company, CMCC does not directly or indirectly hold 10% or more equity interest in any other company which is principally engaged in a business similar to the principal business of the Company.

KEY OPERATIONAL AND FINANCIAL DATA

The following tables sets out our summary consolidated financial information for the year ended December 31, 2015, 2016 and 2017. We have derived this summary from our financial information set forth in "*Appendix I — Accountant's Report*" and "*Financial Information*." You should read this summary in conjunction with our financial information set out in "*Appendix I — Accountant's Report*," including the accompanying notes, and the information set out in "*Financial Information*."

Summary Statements of Comprehensive Income

	Year Ended December 31,			Three Months Ended March 31,	
	2015	2016	2017	2017	2018
	(RMB million)				
				(Unaudited)	
Operating revenue	8,802	55,997	68,665	16,449	17,244
Operating expenses					
Depreciation and amortization	(5,138)	(27,585)	(32,642)	(7,843)	(8,041)
Site operating lease charges	(1,856)	(9,121)	(11,336)	(2,880)	(3,020)
Repairs and maintenance	(1,387)	(5,750)	(6,156)	(1,446)	(1,514)
Employee benefits and expenses	(2,840)	(3,743)	(4,229)	(1,098)	(1,240)
Other operating expenses	(1,742)	(4,728)	(6,587)	(1,276)	(1,340)
Operating (loss)/profit	(4,161)	5,070	7,715	1,906	2,089
(Loss)/profit before taxation	(4,746)	106	2,685	646	498
(Loss)/profit for the year/period	(3,596)	76	1,943	484	380

Our operating revenue increased by 4.8% from the three months ended March 31, 2017 to the three months ended March 31, 2018, and by 22.6% from 2016 to 2017, primarily due to an increase in tenants. Our operating profit increased by 9.6% from the three months ended March 31, 2017 to the three months ended March 31, 2018, and by 52.2% from 2016 to 2017, primarily due to (i) an increase in tenants, and (ii) an increase in our tenancy ratio. Our profit for the period decreased by 21.5% from the three months ended March 31, 2017 to the three months ended March 31, 2018, primarily due to increased finance costs. Our profit for the year increased significantly from 2016 to 2017, primarily due to increased operating profit and the lower portion of finance costs as percentage of our operating profit in 2017.

From 2015 to 2016, our operating revenue increased significantly, and both operating profit and profit for the year turned positive. The results of operations in 2015 are not directly comparable to those of 2016 and 2017, because our revenue for the year ended December 31, 2015 was primarily generated from the operations carried out in November and December, and the costs and expenses associated therewith were also primarily incurred in such two-month period. For more detailed discussion of our results of operations and other financial information, see "*Financial Information*."

Summary Balance Sheets

	As of December 31,			As of March 31,
	2015	2016	2017	2018
	(RMB million)			
Current assets	37,113	39,565	30,517	34,388
Current liabilities	(47,127)	(171,568)	(150,041)	(147,025)
Net Current liabilities	**(10,014)**	**(132,003)**	**(119,524)**	**(112,637)**
Non-current assets	232,025	272,103	292,126	289,952
Non-current liabilities	(96,535)	(14,548)	(45,107)	(49,440)
Total equity	125,476	125,552	127,495	127,875

Summary Statements of Cash Flows

	Year Ended December 31,			Three Months Ended March 31,	
	2015	2016	2017	2017	2018
	(RMB million)				
				(Unaudited)	
Net cash (used in)/generated from operating activities	(6,729)	27,594	34,935	8,705	5,791
Net cash used in investing activities	(15,217)	(46,023)	(51,915)	(12,600)	(8,807)
Net cash generated from/(used in) financing activities	26,007	22,025	7,583	(6,149)	2,385

While we had a net cash outflow from operating activities in 2015, and net current liabilities and accumulated deficits as of December 31, 2015, 2016 and 2017 and March 31, 2018, our liquidity has been improved since 2016. We generated cash inflows from operating activities for the years ended December 31, 2016 and 2017 and the three months ended March 31, 2018. Our accumulated deficits and net current liabilities decreased from 2016 to 2017, and from the three months ended March 31, 2017 to March 31, 2018. Taking into account the financial resources available to us, including cash flows from operations, borrowings from banks and other financial institutions, our unutilized revolving credit facilities and the estimated net proceeds of the Global Offering, our Directors are of the opinion that we have sufficient working capital for our requirements for at least the next 12 months from the date of this prospectus. After making reasonable enquires with the Company about the Company's working capital requirements, there is nothing that has caused the Joint Sponsors to disagree with the Directors' view above.

Non-IFRSs Financial Measures

As the industry in which we operate is capital intensive, capital expenditures and finance costs may heavily influence the profits of ours and other similarly situated companies, we believe that EBITDA may help investors to evaluate our results and those of our peers. See "*Financial Information — Non-IFRSs Financial Measures*."

The following table reconciles our EBITDA to the most directly comparable financial measure calculated and presented in accordance with IFRSs, which is operating profit/(loss) for the periods indicated:

	Year Ended December 31,			Three Months Ended March 31,	
	2015	2016	2017	2017	2018
	(RMB in millions, except percentages)			(Unaudited)	
Operating (loss)/profit	(4,161)	5,070	7,715	1,906	2,089
Add back:					
Depreciation and amortization	5,138	27,585	32,642	7,843	8,041
EBITDA	977	32,655	40,357	9,749	10,130
EBITDA margin	N/M	58.3%	58.8%	59.3%	58.7%

Key Financial Measures

	Year Ended December 31,			Three Months Ended March 31,	
	2015	2016	2017	2017	2018
				(Unaudited)	
Operating (loss)/profit (RMB million)(1)	(4,161)	5,070	7,715	1,906	2,089
Operating profit margin(2)	N/M	9.1%	11.2%	11.6%	12.1%
EBITDA (RMB million)(3)	977	32,655	40,357	9,749	10,130
EBITDA margin(4)	N/M	58.3%	58.8%	59.3%	58.7%

	Year Ended December 31,			Three Months Ended March 31,
	2015	2016	2017	2018
Trade receivables turnover days	N/M	66	58	66

	As of December 31,			As of
	2015	2016	2017	March 31, 2018
Current ratio (times)(5)	0.8	0.2	0.2	0.2
Gearing ratio(6)	45.4%	49.4%	53.8%	54.5%

Notes:

(1) Operating profit/(loss) is the operating revenue minus the operating expenses.

(2) Operating profit margin is calculated by dividing the operating profit/(loss) by operating revenue, and multiplying the resulting value by 100%.

(3) EBITDA is the operating profit/(loss) plus depreciation and amortization.

(4) EBITDA margin is calculated by dividing EBITDA by operating revenue, and multiplying the resulting value by 100%.

(5) Current ratio is calculated by dividing total current assets by total current liabilities.

(6) Gearing ratio is calculated by dividing net interest-bearing liabilities (total interest bearing liabilities net of cash and cash equivalents) by the sum of total equity and net interest-bearing liabilities, and multiplying the resulting value by 100%.

RECENT DEVELOPMENTS AND CHANGES IN 2018

As of June 30, 2018, we operated and managed 1,898,139 sites, including 1,878,739 tower sites and 19,400 DAS sites, and served 2,784,559 tenants, including 2,679,100 tenants in macro cell business, 21,045 tenants in small cell business, 26,972 tenants in DAS business and 57,442 tenants in TSSAI business. As of June 30, 2018, our tenancy ratio was 1.47 and the tenancy ratio of the TSP tenants for ground tower sites in operation was 1.54. From the date of our establishment to June 30, 2018, 71.1% of our new TSP tenants were served through co-location. For the six months ended June 30, 2018, we built and delivered 30,773 new sites.

Based on our unaudited management accounts, our operating revenue increased by 6.2% from RMB33,272 million in the six months ended June 30, 2017 to RMB35,335 million in the six months ended June 30, 2018, primarily due to an increase in our tower sites and tenants, reflecting the continuous expansions of our tower business, DAS business and TSSAI business. The following table sets out our operating revenue by business for the periods indicated:

	Six Months Ended June 30,	
	2017	2018
	(RMB million) (Unaudited)	
Tower business		
Macro cell business	32,718	33,888
Small cell business	99	176
DAS business	424	824
TSSAI business	22	374
Others[(1)]	9	73
Operating revenue	33,272	35,335

Note:

(1) Revenue from others include revenue generated from transmission services, commissions for paying electric power charges on behalf of customers, and income from leasing some of our properties. Through our transmission services, we provide short interval tubes, poles and other facilities to our tenants.

Based on our unaudited management accounts, our depreciation and amortization slightly increased by 2.2% from RMB15,799 million in the six months ended June 30, 2017 to RMB16,147 million in the six months ended June 30, 2018, primarily due to our site construction and improvement projects completed in the 12 months ended June 30, 2018, which were transferred from construction in progress to property, plant and equipment and had been depreciated accordingly. Such increase was partially offset by a decrease in the depreciation of towers and ancillary facilities, which was primarily due to the change of the estimated useful life of self-built ground towers. Our operating profit increased by 15.9% from RMB4,108 million in the six months ended June 30, 2017 to RMB4,760 million in the six months ended June 30, 2018, primarily attributable to (i) an increase in tenants, and (ii) an increase in our tenancy ratio.

The foregoing unaudited financial information for the six months ended June 30, 2018 is derived from our unaudited interim condensed financial information for the six months ended June 30, 2018. The Company is responsible for the preparation of its unaudited interim condensed financial information for the six months ended June 30, 2018 in accordance with International Accounting Standard 34 "Interim Financial Reporting." Our unaudited interim condensed financial information for the six months ended June 30, 2018 has been reviewed by our Reporting Accountant in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board. Our results for the six months ended June 30, 2018 may not reflect the fiscal year result for the year ending December 31, 2018. We strongly caution you not to place undue reliance on such information when considering investing in our H Shares.

Pricing Adjustment

In early 2018, after negotiations on arm's length basis, we entered into a Supplemental Agreement to the Commercial Pricing Agreement with each of the China Mobile Company, China Unicom Corporation and China Telecom to amend certain pricing terms of the previous Commercial Pricing Agreements. The key amendments are the reduction of cost margin and increase of co-location discount rates for tower business. The Supplemental Agreements to the Commercial Pricing Agreements have a term of five years and expire on December 31, 2022. Should the above pricing term changes were made for the whole year of 2017, with other terms remaining unchanged, the operating revenue of our tower business would have decreased from RMB67,085 million to RMB62,986 million for the year ended December 31, 2017.

Change of Estimated Useful Life of Self-built Ground Towers

Taking into account the technological improvement, such as the 5G standard implementation, the favorable government policies related to site protection as well as quality and features of the towers, the estimated useful life of self-built ground towers (excluding the towers acquired in the Tower Asset Acquisitions) was adjusted from ten years to 20 years, starting from January 1, 2018. We accounted for this change of accounting estimates prospectively. Should the above estimated useful life of self-built ground towers were changed since January 1, 2017, the depreciation expenses of our self-built ground towers would have decreased from RMB3,878 million to RMB1,865 million for the year ended December 31, 2017.

Our depreciation and amortization increased from RMB7,843 million in the three months ended March 31, 2017, to RMB8,041 million in the three months ended March 31, 2018, which was partially offset by a decrease in the depreciation of towers and ancillary facilities. Specifically, our depreciation expenses of self-built ground towers decreased by RMB594 million for the three months ended March 31, 2018 due to the change of the estimated useful life of self-built ground towers.

Illustrative Financial Information for 2017

Based on the adjusted pricing and changes of estimated useful lives of self-built ground towers, assuming all other terms remaining unchanged, we calculated certain important illustrative financial data for 2017 for illustration purposes. Such information is aimed to assist better evaluation of the impact of pricing and depreciation on our financial performance. These measures are not prepared under the IFRSs, and are based on several assumptions, thus you should not regard it as an independent analysis or an alternative to analysis of the results of operations based on IFRSs. In any event, you should consider carefully the importance placed on such information. For disclosures of adjusted pricing and change of estimated useful life of self-built ground towers, see Note 6 and Note 2.1.3 of "*Appendix I — Accountant's Report.*"

The following table sets out some historical financial information and the illustrative financial information for the year indicated:

	Year Ended December 31, 2017	
	Historical financials	Illustrative financials
		(Unaudited)
	(RMB million)	
Operating revenue[(1)]	68,665	64,566
Tower business	67,085	62,986
Operating expenses[(2)]	(60,950)	(58,937)
Depreciation and amortization	(32,642)	(30,629)
Depreciation of self-built ground towers	(3,878)	(1,865)
Depreciation and amortization of other assets	(28,764)	(28,764)
Operating profits[(3)]	7,715	5,629
Profit before taxation[(4)]	2,685	599
Income tax expenses[(5)]	(742)	(150)
Profit for the year[(6)]	1,943	449
EBITDA[(7)]	40,357	36,258

Notes:

(1) Illustrative operating revenue is only affected by the adjusted pricing formula to tower business. We calculated the illustrative revenue from tower business based on the adjusted pricing formula, assuming other terms affecting our tower business in 2017 unchanged. Illustrative operating revenue is calculated by combining the illustrative revenue from tower business with revenue from non-tower business. See "*Financial Information*."

(2) We calculated the illustrative depreciation expense of self-built ground towers, which is a component of illustrative operating expenses, under the assumption that the adjusted estimated useful life for self-built ground towers had been changed since January 1, 2017, and accounted for this change prospectively. The illustrative operating expenses comprise the illustrative depreciation expense for self-built ground towers, plus historical depreciation and amortization expenses (other than those for self-built ground towers), historical site operating lease charges, repairs and maintenance, employee benefits and expenses, and other operating expenses. See "*Financial Information*."

(3) Illustrative operating profits are calculated by subtracting illustrative operating expenses from illustrative operating revenue.

(4) Illustrative profit before taxation is the sum of illustrative operating profits and the historical figures of other gains, interest income and financial costs for 2017.

(5) Illustrative income tax expenses are calculated by using illustrative profit before taxation and the statutory rate of 25%.

(6) Illustrative profit for the year is calculated by subtracting illustrative income tax expenses from illustrative profit before taxation.

(7) Illustrative EBITDA is illustrative operating profits with illustrative depreciation and amortization added back. EBITDA is not an IFRSs measure, see " — *Non-IFRSs Financial Measures*."

The adjusted pricing and change of estimated useful life of self-built ground towers, together with demand and market condition, site co-location, capital expenditures and access to and cost of financing, are expected to affect our results of operations and financial condition for the year ending December 31, 2018.

Save as disclosed above, the Directors have confirmed that, since March 31, 2018, being the date of the latest audited financial statements of the Company, and up to the date of this prospectus, there has been no material and adverse change in our financial or trading position, and there has been no event which could materially affect the information set out in "*Appendix I — Accountant's Report.*"

LISTING EXPENSES

Listing expenses represent professional fees, underwriting commission and other fees incurred in connection with the Listing and the Global Offering. Listing expenses to be borne by us are estimated to be approximately RMB858.5 million (assuming an Offer Price of HK$1.42 per H Share, being the mid-point of the Offer Price range stated in this prospectus), of which approximately RMB843.2 million is directly attributable to the issue of H Shares to the public and to be capitalized, and the rest has been, or is expected to be reflected in our statements of comprehensive income for 2018. Our Directors do not expect such expenses to materially impact our results of operations for 2018.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK$60,216.0 million (assuming an Offer Price of HK$1.42 per H share, being the mid-point of the Offer Price range stated in this prospectus) (equivalent to approximately RMB51,336.5 million), after deducting the underwriting commissions and estimated expenses payable by us in relation to the Global Offering, and assuming no exercise of the Over-allotment Option.

Our Directors intend to apply the net proceeds from the Global Offering for the following purposes:

- Approximately 60%, or HK$36,129.6 million, is expected to be used for funding the capital expenditures on the following activities:

  — approximately 51% to 54% is expected to be used on new site construction and augmentation. In connection with the construction of new tower and DAS sites, such net proceeds are intended to be primarily used on (i) procurement of towers, shelters or cabinets and ancillary facilities and construction, design and supervision services for the construction of new tower sites, and (ii) procurement of passive devices and leaky cables and construction, design and supervision services for the construction of new DAS sites. We also intend to use such net proceeds to fund augmentation projects on our existing sites, primarily including height extension, foundation strengthening and extension of ground space, to accommodate additional tenants and host more equipment for the purpose of further enhancing the site co-location and utilization.

  — approximately 6% to 9% is expected to be used on ancillary facilities replacement and improvement. We intend to use such net proceeds to replace and improve the ancillary facilities of our sites, such as installation or change of smart FSUs, batteries and air conditioners.

We incur capital expenditures primarily on (i) new site construction and augmentation, which were conducted to meet our customers' increasing demand; (ii) ancillary facilities replacement and improvement, which primarily include the replacement and improvement of obsolete ancillary facilities or addition of new facilities, such as installation or change of smart FSUs, sensors, batteries and air conditioners; (iii) tower and shelter maintenance; (iv) Tower Asset Acquisitions; and (v) other assets primarily including office buildings, vehicles and software. The net proceeds from the Global Offering are intended to be used for funding the new site construction and augmentation and ancillary facilities replacement and improvement, and will not be used to fund capital expenditures on other activities. The intended allocation of net proceeds from the Global Offering on capital expenditures is based on our capital expenditure plan, which was prepared mainly by consolidating the network build-out plans of TSPs and assessing their overall wireless communications coverage demands through a communication mechanism with them. Due to our demand-driven business model, the number and type of sites to be constructed or augmented are subject to continuous adjustments. See "*Industry Overview — Overview of the PRC Telecommunications Tower Infrastructure Industry — Capital expenditure plans in respect of the number and type of sites subject to demands from TSP Customers.*"

The total amount of net proceeds from the Global Offering to be applied on capital expenditures is expected to be fully utilized by the end of 2019. In addition to use of the net proceeds from the Global Offering, we will continue to fund our capital expenditures through cash flows from operating activities, borrowings from banks and other financial institutions, and debt and equity financing;

- Approximately 30%, or HK$18,064.8 million, is expected to be used for repaying bank loans that have been used to fund for capital expenditures and working capital, with the annual interest rate of which ranges from 4.35% to 4.75%, maturing between 2018 and 2020; and

- Approximately 10%, or HK$6,021.6 million, is expected to be used for funding working capital and other general corporate purposes.

See "*Future Plans and Use of Proceeds*."

DIVIDEND

During the Track Record Period, we did not declare or distribute any dividend. We currently do not have any pre-determined dividend payout ratio. In order to return capital to our Shareholders in line with our growth when it is appropriate to do so, we intend to adopt a general dividend policy of declaring and paying dividends with reference to dividends declared and paid by global telecommunications tower infrastructure companies, our results of operations, cash flows, financial condition, operating and capital expenditure requirements, distributable profits as determined under PRC GAAP or IFRSs (whichever is lower) and other factors that our Directors may consider relevant. We also intend to adopt in such general dividend policy a dividend payout ratio of no less than 50% of our annual distributable net profit provided that the aforesaid factors are properly taken into consideration. We may declare and pay dividends by way of cash or by other means that we consider appropriate in the future. Distribution of dividends will be decided by our Board at their discretion and will be subject to Shareholders' approval. In any event, we will pay dividends out of our profit after tax only after having made allocations for, among other things, the recovery of accumulated losses.

STATISTICS OF GLOBAL OFFERING

The numbers in the following table are based on the assumptions that (i) the Global Offering has been completed and 43,114,800,000 H Shares are issued and sold in the Global Offering, (ii) the Over-allotment Option is not exercised, and (iii) 172,459,415,024 Shares are issued following the completion of the Global Offering.

	Based on an Offer Price of HK$1.26 per H Share	Based on an Offer Price of HK$1.58 per H Share
Market capitalization of H Share after completion of the Global Offering	HK$54,324.6 million	HK$68,121.4 million
Unaudited pro forma adjusted consolidated net tangible assets of the Company attributable to the owners of the Company per Share(1)	HK$1.17	HK$1.26

Note:

(1) The unaudited pro forma adjusted consolidated net tangible assets of the Company attributable to the owners of the Company per Share was calculated after adjustments as specified in "*Appendix II — Unaudited Pro Forma Financial Information.*"

RISK FACTORS

There are certain risks relating to an investment in the Offer Shares. These risks can be characterized as: (i) risks relating to our business and industry; (ii) risks relating to legal, compliance and regulatory matters; (iii) risks relating to conducting business in the PRC; and (iv) risks relating to the Global Offering.

The following are some of the major risks that we face: (i) if demand for telecommunications tower infrastructure services does not achieve anticipated growth or even decrease, our business and results of operations would be materially and adversely affected; (ii) our business relies on the Big Three TSPs as customers; (iii) any difficulties in acquiring, constructing or maintaining sites may materially and adversely affect our business, financial position and results of operations; (iv) our ability to obtain and maintain suitable pricing for our services is essential; (v) any interference to our right to use the land or premises on which our sites are situated may negatively impact our business and results of operations; (vi) we face challenges in managing and consolidating our telecommunications tower infrastructure assets; (vii) our business development may require relatively high level of capital expenditures and we may not be able to obtain financing therefor; (viii) we may face challenges in developing our small cell and DAS business; (ix) our limited operating history may affect your ability to evaluate our business and prospects; and (x) natural disasters and other unforeseen incidents could materially and adversely affect our business.

PROPERTIES

We have site properties and general properties in the PRC. Our site properties include (i) owned site properties and (ii) leased site properties/site properties otherwise used by us. Our general properties, which are normally used as warehouses, staff dormitories and offices, include (i) owned general properties and (ii) leased general properties.

Our properties consist of several types of site properties with certain title issues. However, we believe such title issues would not individually and jointly have a material adverse impact on our business and operations, due to the immateriality of a single site in terms of book value and revenue contribution, protections from regulations and policies of the PRC and other factors. In addition, we have also carried out a number of measures in preventing the materialization of the relevant risks, including (i) setting out requirements and guidances; (ii) establishing IT systems to better manage and monitor operation data, and setting up an information management committee; (iii) obtaining government support and policies; (iv) collecting data on property title status and improving the management and internal control; and (v) including the rectification work in our KPIs.

Our properties are spread across all regions in the PRC and most of them are used as sites. As part of wireless communications network infrastructure, our sites not only serve general public's livelihood, but also are vital to implementing the "Cyber Power" strategy by the PRC government. Therefore, our sites and their relevant properties are protected by regulations and policies of the PRC government, including, among other things, the Measures for the Management of Telecommunication Construction, the Telecommunications Regulations, the Circular [2017] No. 234 and certain normative documents issued by provincial-level governments for the construction, protection and management of public telecommunications infrastructure. In practice, the relevant regulations and policies have facilitated the rectification of the property title issues and promoting settlement in our favour in an event of dispute.

We believe that the possibility of a large scale of demolition and relocation of our relevant site properties is relatively low due to (i) their wide distribution across the PRC; (ii) even if a few of our relevant site properties are subject to the risks of demolition and relocation going forward, we will be informed ahead of time by our maintenance staff or property providers and will be able to identify alternatives promptly; and (iii) our general properties are small in number, low in economic value and highly replaceable. Meanwhile, our PRC Legal Advisor is of the view that the possibility of general or large-scale demolition and relocation of sites due to title issues is relatively low. For more details of our properties, regulatory and policy protections and property compliance, see "*Business — Properties*."

WAIVERS IN RESPECT OF CONTINUING CONNECTED TRANSACTIONS

The Company has conducted certain transactions with entities that will become our connected persons upon the Listing in its ordinary course of business in the past, and these transactions will continue after the Listing and will therefore constitute our continuing connected transactions under the Hong Kong Listing Rules.

The Company provides relevant services of tower products, DAS products, transmission products and service products to each of the Telecom Shareholders and their respective branches/subsidiaries pursuant to the Service Framework Agreements, which are among the Company's principal businesses. We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted to us, a waiver from strict compliance with the annual cap requirement under Rule 14A.53 of the Listing Rules for the transactions above.

For details of the above and other continuing connected transactions of the Company and the waivers applied for in connection therewith, please see "*Connected Transactions*" and "*Waivers and Consent under the Hong Kong Listing Rules.*"

In this prospectus, unless the context otherwise requires, the following terms and expressions have the meanings set forth below.

"Accountant's Report"	the report on the financial information regarding the Company for the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018, which has been audited by the Reporting Accountant and is set out in "*Appendix I — Accountant's Report*"
"Acquisition Date"	October 31, 2015, being the date on which the Tower Asset Acquisition was completed
"AIC"	the State Administration for Industry & Commerce of the PRC (中華人民共和國國家工商行政管理總局) (currently consolidated into the State Administration for Market Regulation (國家市場監督管理總局))
"Application Form(s)"	**WHITE** Application Form(s), **YELLOW** Application Form(s) and **GREEN** Applications Form(s), or where the context so requires, any of them, relating to the Hong Kong Public Offering
"Articles of Association" or "Articles"	the articles of association of the Company, as amended, which shall become effective on the Listing Date and a summary of which is set out in Appendix VI
"Big Three TSPs"	the three largest telecommunications services providers in China, namely China Mobile, China Unicom and China Telecom, which conduct business operations by themselves or through their respective subsidiaries
"Board"	the board of Directors of the Company
"Business Day" or "business day"	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"CAGR"	compound annual growth rate
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant

"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual, joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"CCS"	China Communications Services Corporation Limited (中國通信服務股份有限公司), a company incorporated under the laws of the PRC on August 30, 2006 and listed on the Hong Kong Stock Exchange (stock code: 552), in which CTC held 51.4% equity interest as of the Latest Practicable Date
"China" or "PRC"	the People's Republic of China, excluding, for the purpose of this prospectus, Hong Kong, Macau and Taiwan
"China Mobile"	(i) China Mobile Limited (中國移動有限公司), a company incorporated under the laws of Hong Kong on September 3, 1997 and listed on the Hong Kong Stock Exchange (stock code: 941) and the New York Stock Exchange (stock code: CHL), respectively, which held the entire equity interest in China Mobile Company as of the Latest Practicable Date, or (ii) one of the major telecommunications services providers in China, as the context may require
"China Mobile Company"	China Mobile Communication Company Limited (中國移動通信有限公司), a company incorporated under the laws of the PRC on February 27, 2004, which held 38.0% equity interest in the Company and was the single largest Shareholder as of the Latest Practicable Date
"China Reform"	China Reform Holdings Corporation Ltd. (中國國新控股有限責任公司), a wholly state-owned company incorporated under the laws of the PRC on December 1, 2010, which held 6.0% equity interest in the Company as of the Latest Practicable Date
"China Telecom"	(i) China Telecom Corporation Limited (中國電信股份有限公司), a company incorporated under the laws of the PRC on September 10, 2002 and listed on the Hong Kong Stock Exchange (stock code: 728) and the New York Stock Exchange (stock code: CHA), respectively, which held 27.9% equity interest in the Company as of the Latest Practicable Date, or (ii) one of the major telecommunications services providers in China, as the context may require

"China Unicom"	(i) China Unicom (Hong Kong) Limited (中國聯合網絡通信(香港)股份有限公司), a company incorporated under the laws of Hong Kong on February 8, 2000 and listed on the Hong Kong Stock Exchange (stock code: 762) and the New York Stock Exchange (stock code: CHU), which held the entire equity interest in China Unicom Corporation as of the Latest Practicable Date, or (ii) one of the major telecommunications services providers in China, as the context may require
"China Unicom Corporation"	China United Network Communications Corporation Limited (中國聯合網絡通信有限公司), a company incorporated under the laws of the PRC on September 10, 2002, which held 28.1% equity interest in the Company as of the Latest Practicable Date
"China Unicom A Share Company"	China United Network Communications Limited (中國聯合網絡通信股份有限公司), a company incorporated under the laws of the PRC on December 31, 2001 and listed on the Shanghai Stock Exchange (stock code: 600050), in which CUC held 36.7% equity interest as of the Latest Practicable Date
"Circular [2014] No. 586"	Implementation Opinions on the Promotion of Joint Construction and Sharing of Telecommunications Infrastructure in 2015 (《關於2015年推進電信基礎設施共建共享的實施意見》)
"Circular [2016] No. 142"	Implementation Opinions on the Promotion of Joint Construction and Sharing of Telecommunications Infrastructure in 2016 (《關於2016年推進電信基礎設施共建共享的實施意見》)
"Circular [2017] No. 92"	Implementation Opinions on the Promotion of Joint Construction and Sharing of Telecommunications Infrastructure in 2017 (《關於2017年推進電信基礎設施共建共享的實施意見》)
"Circular [2017] No. 234"	Notice on Strengthen Wireless Communication Tower Site Land and Planning and Management (《關於加強移動通信鐵塔站址用地及規劃管理工作的通知》)
"Circular [2018] No. 82"	Implementation Opinions on the Promotion of Joint Construction and Sharing of Telecommunications Infrastructure in 2018 (《關於2018年推進電信基礎設施共建共享的實施意見》)

"CMCC"	China Mobile Communications Group Co., Ltd. (中國移動通信集團有限公司), a state-owned enterprise incorporated under the laws of the PRC on July 22, 1999, which was a substantial Shareholder as of the Latest Practicable Date
"CMCC Group"	CMCC and its subsidiaries (or CMCC and any one or more of its subsidiaries, as the context may require)
"Commercial Pricing Agreement(s)"	the Commercial Pricing Agreement(s) entered into between the Company and each of the Telecom Shareholders on July 8, 2016, which set out the pricing of the products and the services provided by the Company to the Telecom Shareholders and their branches/subsidiaries as further described in *"Connected Transactions"*
"Companies (Winding up and Miscellaneous Provisions) Ordinance"	the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company," "we" or "us"	China Tower Corporation Limited (中國鐵塔股份有限公司), a joint stock limited liability company incorporated under the laws of the PRC on July 15, 2014
"Company Law" or "PRC Company Law"	Company Law of the People's Republic of China (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"CTC"	China Telecommunications Corporation (中國電信集團有限公司), a state-owned company incorporated under the laws of the PRC on April 27, 1995, which was a substantial Shareholder as of the Latest Practicable Date
"CTC Group"	CTC and its subsidiaries (or CTC and any one or more of its subsidiaries, as the context may require)
"CUC"	China United Network Communications Group Company Limited (中國聯合網絡通信集團有限公司), a state-owned company incorporated under the laws of the PRC on June 18, 1994, which was a substantial Shareholder as of the Latest Practicable Date

"CUC Group"	CUC and its subsidiaries (or CUC and any one or more of its subsidiaries, as the context may require)
"Director(s)"	director(s) of the Company
"Domestic Shares"	ordinary Shares in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi
"EBITDA"	earnings before interest, tax, depreciation and amortization
"EIT Law"	Enterprise Income Tax Law of the People's Republic of China (中華人民共和國企業所得稅法), as amended, supplemented or otherwise modified from time to time
"Exchange Participant(s)"	a person: (a) who, in accordance with the Hong Kong Listing Rules, may trade on or through the Hong Kong Stock Exchange; and (b) whose name is entered in a list, register or roll kept by the Hong Kong Stock Exchange as a person who may trade on or through the Hong Kong Stock Exchange
"F&S Report"	the industry report we commissioned Frost & Sullivan to prepare on the global and PRC telecommunications tower infrastructure industry
"GDP"	gross domestic product
"Global Offering"	the Hong Kong Public Offering and the International Offering
"**GREEN** Application Form(s)"	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
"H Share(s)"	overseas listed foreign Shares in the share capital of the Company with a nominal value of RMB1.00 each, which are to be subscribed for and traded in HK dollars and are to be listed on the Hong Kong Stock Exchange
"H Share Registrar"	Computershare Hong Kong Investor Services Limited
"HK$" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC

"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Listing Rules" or "Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Hong Kong Offer Shares"	the 2,155,740,000 H Shares initially offered by the Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to reallocation as described in "*Structure of the Global Offering*")
"Hong Kong Public Offering"	the offering of the Hong Kong Offer Shares for subscription by the public in Hong Kong (subject to adjustment as described in "*Structure of the Global Offering*") at the Offer Price (plus brokerage, SFC transaction levies and Hong Kong Stock Exchange trading fees), on and subject to the terms and conditions described in this prospectus and on the Application Forms as further described in "*Structure of the Global Offering — Hong Kong Public Offering*"
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed in "*Underwriting — Hong Kong Underwriters*"
"Hong Kong Underwriting Agreement"	the underwriting agreement dated July 24, 2018 relating to the Hong Kong Public Offering and entered into by, among others, the Company and the Hong Kong Underwriters, as further described in "*Underwriting — Underwriting Arrangements and Expenses*"
"IFRS(s)"	International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board
"Independent Third Party(ies)"	party(ies) who are not connected persons of the Company as far as our Directors are aware after having made all reasonable enquiries
"International Offer Shares"	the 40,959,060,000 H Shares initially offered by the Company for subscription pursuant to the International Offering (subject to reallocation as described in "*Structure of the Global Offering*") together with, where relevant, any additional H Shares which may be issued by the Company pursuant to the exercise of the Over-allotment Option

"International Offering"	the offering of the International Offer Shares by the International Underwriters at the Offer Price outside the United States in offshore transactions in accordance with Regulation S and in the United States to QIBs in reliance on Rule 144A or any other available exemption from the registration requirements under the U.S. Securities Act, as further described in "*Structure of the Global Offering*"
"International Underwriters"	the group of international underwriters, led by the Joint Representatives, which are expected to enter into the International Underwriting Agreement to underwrite the International Offering
"International Underwriting Agreement"	the underwriting agreement expected to be entered into on or around August 1, 2018 by, among others, the Company and the Joint Representatives (on behalf of the Joint Bookrunners in relation to the International Offering and the International Underwriters) in respect of the International Offering, as further described in "*Underwriting — International Offering*"
"Joint Bookrunners"	China International Capital Corporation Hong Kong Securities Limited, Goldman Sachs (Asia) L.L.C., Merrill Lynch (Asia Pacific) Limited, J.P. Morgan Securities (Asia Pacific) Limited (in relation to the Hong Kong Public Offering only), J.P. Morgan Securities plc (in relation to the International Offering only), ABCI Capital Limited, BNP Paribas Securities (Asia) Limited, BOCI Asia Limited, CCB International Capital Limited, China Merchants Securities (HK) Co., Limited, China Securities (International) Corporate Finance Company Limited, CMB International Capital Limited, The Hongkong and Shanghai Banking Corporation Limited, ICBC International Capital Limited, Morgan Stanley Asia Limited (in relation to the Hong Kong Public Offering only), Morgan Stanley & Co. International plc (in relation to the International Offering only) and UBS AG Hong Kong Branch
"Joint Global Coordinators"	China International Capital Corporation Hong Kong Securities Limited, Goldman Sachs (Asia) L.L.C., Merrill Lynch (Asia Pacific) Limited and J.P. Morgan Securities (Asia Pacific) Limited

"Joint Lead Managers"	China International Capital Corporation Hong Kong Securities Limited, Goldman Sachs (Asia) L.L.C., Merrill Lynch (Asia Pacific) Limited, J.P. Morgan Securities (Asia Pacific) Limited (in relation to the Hong Kong Public Offering only), J.P. Morgan Securities plc (in relation to the International Offering only), ABCI Securities Company Limited, BNP Paribas Securities (Asia) Limited, BOCI Asia Limited, CCB International Capital Limited, China Merchants Securities (HK) Co., Limited, China Securities (International) Corporate Finance Company Limited, CMB International Capital Limited, The Hongkong and Shanghai Banking Corporation Limited, ICBC International Securities Limited, Morgan Stanley Asia Limited (in relation to the Hong Kong Public Offering only), Morgan Stanley & Co. International plc (in relation to the International Offering only) and UBS AG Hong Kong Branch
"Joint Representatives"	China International Capital Corporation Hong Kong Securities Limited and Goldman Sachs (Asia) L.L.C.
"Joint Sponsors"	China International Capital Corporation Hong Kong Securities Limited and Goldman Sachs (Asia) L.L.C.
"Latest Practicable Date"	July 18, 2018, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
"Listing"	listing of the H Shares on the Main Board of the Hong Kong Stock Exchange
"Listing Committee"	the Listing Committee of the Hong Kong Stock Exchange
"Listing Date"	the date, expected to be on Wednesday, August 8, 2018, on which our H Shares are listed and from which dealings therein are permitted to take place on the Hong Kong Stock Exchange
"Main Board"	the stock market (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Hong Kong Stock Exchange

"Mandatory Provisions"	the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (《到境外上市公司章程必備條款》), as amended, supplemented or otherwise modified from time to time, for inclusion in the articles of association of companies incorporated in the PRC to be listed overseas (including Hong Kong), which were promulgated by the former Securities Commission of the State Council (國務院證券委員會) and the former State Commission for Restructuring the Economic Systems (國家經濟體制改革委員會) on August 27, 1994
"Measures for the Management of Telecommunications Construction"	the Measures for the Management of Telecommunications Construction (《電信建設管理辦法》) as promulgated by the Ministry of Information Industry of the PRC, the predecessor of the MIIT, and the NDRC on February 1, 2002
"Ministry of Finance" or "MOF"	Ministry of Finance of the PRC (中華人民共和國財政部)
"Ministry of Industry and Information" or "MIIT"	Ministry of Industry and Information Technology of the People's Republic of China (中華人民共和國工業和信息化部)
"MLR"	Ministry of Land and Resources of the PRC (中華人民共和國國土資源部) (currently consolidated into the Ministry of Natural Resources of the PRC (中華人民共和國自然資源部))
"MOHURD"	Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部)
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部)
"NDRC"	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"NPC"	National People's Congress of the PRC (中華人民共和國全國人民代表大會)
"NYSE"	the New York Stock Exchange
"Offer Price"	final price per Offer Share in Hong Kong dollars (exclusive of brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) of not more than HK$1.58 and expected to be not less than HK$1.26, at which Hong Kong Offer Shares are to be subscribed and which will be determined in the manner as further described in "*Structure of the Global Offering*"

"Offer Share(s)"	Hong Kong Offer Shares and the International Offer Shares, together with, where relevant, any additional H Shares which may be issued by the Company pursuant to the exercise of the Over-allotment Option
"Over-allotment Option"	option expected to be granted by the Company to the International Underwriters, exercisable by the Joint Representatives (on behalf of the International Underwriters) pursuant to the International Underwriting Agreement, pursuant to which the Company may be required to allot and issue up to an aggregate of 6,467,220,000 additional H Shares at the Offer Price to, among other things, cover over-allocations in the International Offering, if any, further details of which are described in "*Structure of the Global Offering*"
"PBOC"	People's Bank of China (中國人民銀行), the central bank of the PRC
"PRC GAAP"	China Accounting Standards issued by the MOF
"PRC Legal Advisor"	King & Wood Mallesons
"Pricing Adjustment"	our adjustment of pricing pursuant to the Supplemental Agreements to the Commercial Pricing Agreements we entered into with each of the Telecom Shareholders in 2018. See "*Business — Pricing*" and "*Connected Transactions*"
"Price Determination Date"	date, expected to be on or around Wednesday, August 1, 2018, but no later than Tuesday, August 7, 2018, on which the Offer Price is fixed for the purpose of the Global Offering
"Principal Services Provided to the Telecom Shareholders"	relevant services of tower products, DAS products, transmission products and service products provided to the Telecom Shareholders and their respective subsidiaries by the Company, as further described in "*Connected Transactions*"
"Promoters"	China Mobile Company, China Unicom Corporation and China Telecom
"Property Law"	Property Law of the PRC issued in the order of the President of the PRC (No. 62) on March 16, 2007 which took effect on October 1, 2007 and was amended from time to time

"Property Lease Framework Agreements"	the property lease framework agreements entered into between the Company and each of the Telecom Group Companies on July 15, 2018, respectively, pursuant to which the Company may lease certain properties from each of the Telecom Group Companies and their respective associates
"prospectus"	this prospectus being issued in connection with the Hong Kong Public Offering
"province"	a province or, where the context requires, a provincial level autonomous region or municipality, under the direct supervision of the central government of the PRC
"QIB" or "Qualified Institutional Buyer"	a qualified institutional buyer within the meaning of Rule 144A under the U.S. Securities Act
"Regulation S"	Regulation S under the U.S. Securities Act
"Relevant Products"	has the meaning as defined in "*Connected Transactions — Principal Services Provided to the Telecom Shareholders*"
"Reporting Accountant"	PricewaterhouseCoopers
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SASAC"	State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
"SAT"	State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"Securities and Futures Ordinance" or "SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Securities Law"	Securities Law of the People's Republic of China (中華人民共和國證券法), as amended, supplemented or otherwise modified from time to time

"Service Agreement(s)"	Service Agreement(s) entered into between the Company and each of the Telecom Shareholders in April 2018, which set out the content of the products and services provided by the Company to the Telecom Shareholders and their subsidiaries, the customer service standard and, where applicable, the relevant agreements in respect of the evaluation of the maintenance quality and other related arrangements, as further described in *"Connected Transactions"*
"Service Framework Agreements"	the Commercial Pricing Agreement(s), the Supplemental Agreement(s) to the Commercial Pricing Agreement(s) and the Service Agreement(s)
"Service Supply Framework Agreements"	the service supply framework agreements entered into between the Company and each of the Telecom Group Companies on July 15, 2018, respectively, pursuant to which the associates of each of the Telecom Group Companies will provide construction, design, supervision, outsourcing maintenance, intermediary, supply chain and/or training services to the Company
"SFC"	the Securities and Futures Commission of Hong Kong
"Shanghai-Hong Kong Stock Connect"	a securities trading and clearing links program developed by the Hong Kong Stock Exchange, Shanghai Stock Exchange, HKSCC and China Securities Depository and Clearing Corporation Limited for mutual market access between Hong Kong and Shanghai
"Share(s)"	ordinary shares in the capital of the Company with a nominal value of RMB1.00 each
"Shareholder(s)"	holder(s) of the Shares
"Shenzhen-Hong Kong Stock Connect"	a securities trading and clearing links program developed by the Hong Kong Stock Exchange, Shenzhen Stock Exchange, HKSCC and China Securities Depository and Clearing Corporation Limited for mutual market access between Hong Kong and Shenzhen
"SOE(s)"	state-owned enterprise(s)
"Special Regulations"	the Special Regulations of the State Council on Overseas Offering and Listing of Shares by Joint Stock Limited Companies (《國務院關於股份有限公司境外募集股份及上市的特別規定》), promulgated by the State Council on August 4, 1994

"SSE"	the Shanghai Stock Exchange
"Stabilizing Manager"	Goldman Sachs (Asia) L.L.C.
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"subsidiary(ies)"	has the meaning ascribed to it in Schedule 1 of the Companies Ordinance
"Supervisor(s)"	member(s) of Supervisory Committee
"Supervisory Committee"	supervisory committee of the Company
"Supplemental Agreement(s) to the Commercial Pricing Agreement(s)"	supplemental agreement(s) to the Commercial Pricing Agreement(s) entered into between the Company and each of China Mobile Company and China Unicom Corporation on January 31, 2018, and between the Company and China Telecom on February 1, 2018, which set out certain adjustments to the Commercial Pricing Agreement(s), as further described in *"Connected Transactions"*
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Tower Asset Acquisitions"	the acquisitions of certain telecommunications towers and related assets from the Telecom Group Companies and their respective subsidiaries. See "*History and Development*"
"Telecom Group Companies"	the ultimate controlling shareholders of each of the Telecom Shareholders, namely CMCC, CUC and CTC
"Telecom Shareholders"	the three telecommunications service providers as our Shareholders, namely China Mobile Company, China Unicom Corporation and China Telecom
"Telecommunications Regulations"	Telecommunications Regulations of the People's Republic of China (《中華人民共和國電信條例》) promulgated by the State Council on September 25, 2000, and amended from time to time
"Telecommunications tower infrastructure service provider"	service providers that engaged in the construction and operation of telecommunications tower infrastructure and provision of ancillary services
"Track Record Period"	the three years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018

"Trademark Office"	the Trademark Office of the State Administration for Industry & Commerce of the PRC
"Trademark Review and Adjudication Board"	the board established in the AIC for trademark applications, reviews and other administrative managements
"TSPs"	telecommunications service providers that engaged in fixed communications, wireless communications and Internet access services
"TSSAI business"	our trans-sector site application and information business
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"US$" or "U.S. dollars"	United States dollars, the lawful currency of the United States
"U.S. person"	a U.S. person, as defined of Rule 902 of Regulation S
"US" or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"VAT"	value added tax
"**WHITE** Application Form(s)"	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be issued in the applicant's own name
"White Form eIPO"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of White Form eIPO www.eipo.com.hk

"White Form eIPO Service Provider"	Computershare Hong Kong Investor Services Limited
"**YELLOW** Application Form(s)"	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be deposited directly into CCASS
"%"	percent

In this prospectus, the terms "associate," "close associate," "connected person," "connected transaction," "controlling shareholder," and "substantial shareholder" have the meanings given to such terms in the Hong Kong Listing Rules, unless the context otherwise requires.

This glossary of technical terms contains terms used in this prospectus as they relate to our business. As such, these terms and their meanings may not always correspond to standard industrial meaning or usage of these terms.

"2G"	the second generation wireless communications technology
"3G"	the third generation wireless communications technology
"4G"	the fourth generation wireless communications technology
"5G"	the fifth generation wireless communications technology
"AC/DC"	the alternating current power supplies and direct current power supplies
"acquired towers"	towers we acquired from the Telecom Group Companies and their subsidiaries
"anchor tenant"	tenant who is the original owner of an acquired site prior to being transferred to the Company or the first tenant of a self-built site
"ancillary equipment"	ancillary equipment necessary to the operation of the base station at a site, including power access, power distribution box, switch-mode power supply, batteries, air conditioner, smart FSU and other equipment
"antenna"	a device for radiating radio waves to or receiving radio waves from spaces
"base station"	a base transceiver station for performing and managing communications between a wireless communications network and users, which is a basic unit of a cell in the wireless communications network
"base price"	the basic price charged based on the cost and cost markup of the service
"big data"	a collection of data, the excessive volume or complexity of which are far beyond the capacity of databank softwares and devices in terms of access, storage, management and analysis
"centralized monitoring"	monitoring of the nationwide sites installed smart FSUs through our headquarter and provincial and municipal monitoring centers
"cost margin"	the rate of markup added to the cost included in the price

"cost markup"	markup of a certain percentage, which is charged based on the costs of products or services
"co-location discount"	a discount offered by us on the price to each tenant when a site is occupied by two or more tenants
"DAS"	indoor distributed antenna system, which is a system comprising of facilities for reception, emission and transmission of wireless communications signal for covering buildings, tunnels or other specific areas
"DAS product"	the DAS related service we offer to the Big Three TSPs according to the Service Framework Agreements
"E-procurement platform"	our online procurement platform for the procurement of materials and services
"existing sharing party"	TSP tenants who shared tower sites with anchor tenants through co-location arranged by themselves before the given sites were acquired by us
"extra battery assurance service"	power assurance for certain duration beyond the standard power duration of batteries
"feeder"	a radio-frequency coaxial cable used for transmitting radio signal or energy
"GB"	gigabyte, a unit for computer storage
"general property"	property used for employee dormitory, warehouse or office
"ground tower"	a type of tower erected on the ground
"impairment rate"	the impairment rate for infrastructure
"integrated cabinet"	a cabinet integrating power system and thermostat, where batteries, telecommunications equipment and other ancillary equipment can be installed
"IoT" or "Internet of Things"	transmission of messages, cooperation and processing between various objects through information sensors in accordance with appointed agreements so as to realize a network of communications between human and objects and between objects and objects
"macro cell"	high-powered wireless telecommunications base station, which can provide broader signal coverage

"maintenance monitoring platform"	the smart FSU-based information platform we set up to monitor the operating status of nationwide sites
"maintenance orders"	the orders of maintenance work
"network coverage"	achieving the uniformly distribution of wireless telecommunications signal transmission within certain geographic area
"optical fiber cables"	waveguide dielectric made from glass fiber for conducting optical signals
"outsourcing construction"	outsourcing construction according to the entrustments of the customers whereby the property rights of relevant facilities belong to the customers
"outsourcing maintenance"	engagement of third parties to conduct maintenance services such as the breakdown handling, routine inspection, emergency maintenance and other services of sites
"passive device"	an electric component which can perform its specific functions without connecting to an external source of power
"power access"	connection of utility electricity or other power distribution to a site for the supply of power
"power distribution box"	the control box used for controlling circuit switch and power distribution
"rooftop tower"	a type of tower on building rooftops
"sensor"	a device for measuring and outputting the measurement results in signal form
"shelter"	a concrete house or a house made with color coated steel plate used for storage of telecommunications equipment owned by customers and our ancillary equipment, unless the context suggests otherwise
"site"	a place available for hosting telecommunications equipment such as macro cells, DAS or small cells and other equipment for TSPs and other customers, together with the telecommunications tower infrastructure on such place
"site property"	property used for sites
"site acquisition"	the process of identifying locations for building a new site and for obtaining titles or use rights of properties and other necessary permissions for site constructions

"small cell"	low-powered wireless telecommunications base station operating in licensed or unlicensed spectrum
"smart FSU"	smart field supervision unit, comprised of certain monitoring modules and other ancillary equipment, for collecting and processing the status data of the equipment and environment at a site
"standard construction cost"	the standardized construction costs we have determined for all types of telecommunications tower infrastructure with reference primarily to the industry construction standards, costs data and market price
"telecommunications tower infrastructure"	tower or DAS, shelter or cabinet, power supply and other ancillary equipment at a site which are necessary for hosting base station and provision of wireless telecommunications service
"tenancy ratio"	the aggregate number of tenants divided by the aggregate number of sites occupied by these tenants, unless the context suggests otherwise
"tenant"	a customer engaged with us in one type of business at one site. If a completed order includes one type of business at one site, the ordering customer is counted as one tenant; if a completed order includes one type of business at multiple sites, the number of tenants is equal to the number of sites under such order; if a completed order includes two or more types of businesses at one site, the number of tenants is equal to the number of business types under such order; and if a completed order includes multiple types of businesses at multiple sites, the number of tenants is equal to the sum of business types on a site-by-site basis
"tower" or "telecommunications tower"	a high-erected steel structure or a pole for hosting antennas or other equipment
"wireless communications"	conducting information exchange or telecommunications through wireless communications networks by both parties or at least one party

In this prospectus, unless the context otherwise requires, (i) the term "telecommunications tower infrastructure service providers" commonly refers to entities who offer services, mainly including site space, maintenance and power, to TSPs based on their telecommunications tower infrastructure, (ii) the term "information communications infrastructure service providers" commonly refers to entities who offer site resource services and information services which mainly include data collection, transmission, analysis and application, to customers from different industries, including TSPs, based on their telecommunications tower and other infrastructure and (iii) the term "wireless communications" has a similar meaning of "wireless telecommunications."

This prospectus includes forward-looking statements. All statements other than statements of historical facts contained in this prospectus, including, without limitation, those regarding our future financial position, our strategies, plans, objectives, goals, targets and future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words "believe," "expect," "estimate," "predict," "aim," "intend," "will," "may," "plan," "consider," "anticipate," "seek," "should," "could," "would," "continue," or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among other things, the following:

- our ability to successfully implement our business plans and strategies;
- future developments, trends and conditions in the industry and markets in which we operate or into which we intend to expand;
- our business prospects;
- our capital expenditure plans;
- our financial condition and performance;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business and our business plans;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC and the industry and markets in which we operate; and
- global political and economic conditions, including those related to the PRC and other relevant jurisdictions in which we have or intend to have business operations.

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to, those discussed under "Risk Factors" and elsewhere in this prospectus. We caution you not to place undue reliance on these forward-looking statements, which reflect our management's view only as of the date of this prospectus. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus might not occur. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

An investment in the H Shares involves various risks. You should consider carefully all the information set out in this prospectus and, in particular, the risks and uncertainties described below before making an investment in the H Shares.

As an investment in the H Shares is meant to produce returns over the long-term, you should not expect to obtain short-term gains. The price of the H Shares, and the income from them, may rise or fall and may not fully reflect the underlying net assets attributable to them. You may not get back your original investment and you may not receive any distributions.

The occurrence of any of the following events could materially and adversely affect our business, financial position, results of operations or prospects. If any of these events occurs, the trading price of the H Shares could decline and you may lose all or part of your investment. You should seek professional advice from your relevant advisors regarding your prospective investment in the context of your particular circumstances.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

If demand for telecommunications tower infrastructure services does not achieve anticipated growth or even decrease, our business and results of operations would be materially and adversely affected.

We generated substantially all of our operating revenue from our telecommunications tower infrastructure services during the Track Record Period. We expect such services will continue to be our primary income source in the foreseeable future. As a result, the sustainable growth of our business and our success depend on the growth of the telecommunications tower infrastructure industry in general and the overall demand for telecommunications tower infrastructure services, which is affected by various factors, including:

- user demand for wireless communications;
- changes of technologies and their application;
- the ability and willingness of TSPs to maintain or increase capital expenditures on their wireless communications networks;
- the financial condition of TSPs;
- cost of constructing telecommunications tower infrastructure;
- network sharing or mergers or consolidations among TSPs;
- changes of laws, regulations and government policies that are related to the telecommunications industry and the telecommunications tower infrastructure industry;

- zoning, environmental, health, tax or other rules and regulations or changes in the application and enforcement thereof; and

- the general economic and political conditions in China.

Some of these factors are beyond our control. We may not be able to renew existing tenant leases or enter into new tenant leases, or if we are able to renew existing leases or enter into new leases, they may be at rates lower than our current rates, resulting in a material adverse impact on our results of operations and growth rate.

We have historically benefited from the fast-growing telecommunications tower infrastructure industry. According to the F&S Report, the size of PRC telecommunications tower infrastructure industry in terms of revenue is expected to grow at a CAGR of 9.1% from RMB70.6 billion in 2017 to RMB109.1 billion in 2022. However, we cannot assure you that the PRC telecommunications tower infrastructure industry and our customer demand will achieve the expected growth. If the industry does not grow as fast as we anticipate or even shrinks, or our customer demand otherwise decreases, our business and results of operations could be materially and adversely affected.

Our business relies on the Big Three TSPs as customers.

Our business relies on a limited number of customers, and we generated substantially all of our operating revenue during the Track Record Period from the Big Three TSPs. In 2017, revenue from the Big Three TSPs accounted for 99.8% of our operating revenue. As of December 31, 2017, approximately 99.4% of our trade receivables were due from the Big Three TSPs. We have established long-term business relationships with the Big Three TSPs. We provide services to the Big Three TSPs mainly in accordance with the Service Framework Agreements. See "*Connected Transactions.*" Despite our long-term relationship, we have limited influence over our customers' business operations and we cannot assure you we will be able to accurately forecast their actual demand. Their demand may fall short of our estimation due to, among others, change of budget, change of business model or strategy, update/change of technology or wireless communications systems, or change in the general economic conditions and urbanization development.

Due to the long-term nature of our services, we depend on the stability of our customers' financial condition. If our customers are unable to raise adequate capital to fund their business plans, they may reduce their spending, which could adversely affect the demand for our sites and our services. If, as a result of economic downturns or for other reasons, one or more of our major customers experience financial difficulties, we may as a result suffer a loss of anticipated revenue or impairment of trade receivables, among other things, which could in turn materially and adversely affect our business, financial position and results of operations.

Further, although the landscape of the PRC telecommunications industry is relatively stable, we cannot assure you that the Big Three TSPs will not be restructured, or that the landscape of the PRC telecommunications industry will not change, in which case our business and results of operations would be affected due to customer consolidation. Consolidation among our customers may cause early termination or failure to renew some existing leases or reducing our customers' future capital expenditures in the aggregate because their existing networks and expansion plans may overlap or be very similar.

Any difficulties in acquiring, constructing or maintaining sites may materially and adversely affect our business, financial position and results of operations.

Our ability to select, acquire and maintain suitable sites is crucial to our success. We typically work with our customers' engineers to select new sites that can best address the customers' needs and meet their network coverage objectives. Once a new site is identified, we initiate the necessary procedures to acquire the ownership or the rights to use or lease the land or premises on which the site will be constructed. We cannot assure you that we will be successful in identifying and consummating suitable site acquisitions, or maintaining, effectively operating and utilizing our sites or that we will be able to obtain, in a timely fashion, the ownership or the rights to use or lease the land or premises. Our ability to acquire, construct and maintain sites is subject to the following factors, among other things:

- *National and local regulations, especially those related to zoning, urban planning, as well as environmental protection.* The government, through local land use planning, urban development planning and telecommunications tower infrastructure construction planning, regulates where our sites could be located. Existing or future regulatory policies may negatively impact the timing or cost of construction projects associated with our sites, or restrict projects from being located in certain locations. Non-compliance with these regulations could lead to imposition of fines and/or award of legal damages to litigants. In addition, changes to zoning regulations or construction laws could result in increased costs to modify some of our existing towers or decreased revenue due to the removal of certain towers to ensure compliance with such changes. For newly constructed sites, we may face difficulties in obtaining regulatory and administrative approval, which could result in delays or additional costs. We have historically benefited from the PRC government policies with regard to sites. However, we cannot assure you that the government policies will not change in a manner that negatively affects the favorable treatments we currently enjoy or limits our ability to acquire, construct and maintain sites.

- *Community sentiment.* Site acquisition and construction are affected by public and community sentiment over radiation exposure and other environmental aesthetic concerns. Residents in some communities may oppose to the construction of sites or addition of equipment in their communities due to concerns over potential radiation exposure and environmental issues, whether such concerns are scientifically based or not. Failure to obtain necessary public and community support can delay, prevent or increase the cost of new site construction, additions of new antennas to a site or site capacity expansion. This in turn could limit our ability to respond to our customers' demands and materially and adversely affect our business.

- *Ability to use land and premises at reasonable costs.* Site acquisition and maintenance depend on our ability to acquire and maintain the ownership and/or the right to use underlying land and premises at commercially reasonable costs. In 2015, 2016 and 2017 and the three months ended March 31, 2018, our site operating lease charges were RMB1,856 million, RMB9,121 million, RMB11,336 million and RMB3,020 million, respectively, accounting for 21.1%, 16.3%, 16.5% and 17.5% of our operating revenue for the respective periods. Landowners, lessors or local governments may decide to increase rent, transfer their interests to third parties with whom we have no dealings, or choose not to renew their leases with us or grant access to us, which could affect our ability to use land and premises at commercially reasonable expenses.

Failure to acquire and maintain our sites may cause us to find suitable alternatives, which may cause delays, additional costs, impairments on our assets and devotion of significant management time and resources without producing a positive result. Any difficulties in identifying and consummating site acquisitions, or failure to effectively maintain, operate and utilize our existing sites may materially and adversely affect our business, financial position and results of operations.

Our ability to obtain and maintain suitable pricing for our services is essential.

Our pricing directly affects our business and results of operations. Due to the long-term nature of our services, we entered into a series of agreements with our customers, which specify the overall arrangements therewith, such as the scope and standard of our service, as well as pricing and settlement method. See "*Business — Pricing*" and "*Connected Transactions.*"

We consider cost, market condition and other factors when pricing our services. The pricing for our macro cell business is generally based on a standard construction cost, which is estimated in accordance with our past experience, market condition and the specific circumstances in a certain location and may vary from the actual costs. Generally, pursuant to the service agreements we entered into with our customers, our pricing mechanism factors in certain cost considerations, such as depreciation, ground lease charges and repairs and maintenance expenses. We amended certain pricing terms for our macro cell business in early 2018. See "*Business — Pricing — Pricing Adjustment in 2018*." Our current pricing arrangements help generate steady streams of revenue and facilitate establishment of a stable long-term cooperative relationship with our customers. However, the prescribed pricing may limit the maximum premiums we can charge for our services and as a result, may have negative effects on our operating profit margin. In addition, if there is any increase in the costs that we cannot pass on to our customers, or that we charge our customers on a lump sum basis, such as labor costs and some administrative expenses, our profitability could suffer. Further, if the estimated standard construction cost is significantly lower than the actual cost, our operating profit margin and results of operations may be materially and adversely affected. For our small cell, DAS and TSSAI business, we also price our services in accordance with market condition, the specific circumstances, our past experience and our overall business strategy. However, our past experience in certain fields, especially with regard to our TSSAI business, is limited and our judgment and evaluation of the market may be inaccurate. We may renegotiate the pricing arrangements with our principal customers if circumstances so require. See "*— Risks Relating to the Global Offering — Our Telecom Shareholders are able to exercise significant influence over us.*" If we are unable to charge our customers at a desirable rate, our results of operations would be materially and adversely affected.

Any interference to our right to use the land or premises on which our sites are situated may negatively impact our business and results of operations.

We may need to relocate or remove our existing sites, facilities and other assets due to failure to obtain title certificates of land and building, property leasing agreements, and/or other property or contractual right to the land or premises on which our sites are situated. See "*Business — Properties.*" From time to time we may also experience disputes or disagreements with landowners, lessors or local governments regarding the terms of the lease or the permitted use of certain premises, which can affect our ability to access and operate our sites. Further, landowners, lessors or local governments may choose not to renew leasing agreements with us or grant access to us. They may lose their rights to the land or premises or transfer their interests to third parties, or they may re-enter the land or premises, which could affect our ability to renew leasing agreements on commercially reasonable terms. Many of our sites are located on premises we lease pursuant to long-term leasing agreements. Any interference to our rights to use the land and premises on which our sites are situated may have negative effects on our business, financial position and results of operations.

We face challenges in managing and consolidating our telecommunications tower infrastructure assets.

Our primary assets and income sources are our telecommunications tower infrastructure asset (recorded as property, plant and equipment on our balance sheet), especially the towers acquired from the Telecom Group Companies and their respective subsidiaries in 2015. See "*History and Development*." As of March 31, 2018, the book value of our property, plant and equipment (mainly comprising of towers, power generators and ancillary facilities) was RMB254,619 million, accounting for 78.5% of our total asset. Our telecommunications tower infrastructure is the primary asset from which we derive substantially all of our income. Therefore, our ability to effectively manage and utilize such asset portfolio is crucial to our success. Specifically, we may face challenges in consolidating our sites. Before our establishment, the TSPs constructed sites based on their own needs and network design without a comprehensive co-location arrangement. As a result, the TSPs might have constructed and operated sites in the same location or within close proximity due to overlapping or similar demands. Furthermore, we may modify our site distribution due to, among other things, urban-rural planning and zoning changes, urban redevelopment or TSPs' adjustment to their own wireless communications network planning. We may need to dispose of some infrastructure assets to increase our productivity and efficiency, which could result in additional costs and losses. We intend to optimize our site distribution at a commercially reasonable cost while maintaining operation efficiency and minimizing the asset impairment loss. Failure to do so may materially and adversely affect our business, prospects, financial position and results of operations.

Our business development may require relatively high level of capital expenditure and we may not be able to obtain financing therefor.

Due to our business model and the nature of telecommunications tower infrastructure industry, our business development relies on relatively high level of capital expenditure. In 2015, 2016 and 2017 and the three months ended March 31, 2018, our capital expenditures were RMB229,070 million, RMB64,103 million, RMB43,836 million and RMB3,825 million, respectively. Our expected capital expenditures for 2018 is approximately RMB34 billion. Our capital expenditures primarily comprise expenditures on the Tower Asset Acquistions, construction and augmentation, replacement and improvement of our sites and ancillary facilities and it may further increase as a result of the maintenance and expansion of our operation scale and site distribution, and our strategy to develop our TSSAI business. Our planned capital expenditures may cause substantial cash outflows and increase our borrowing needs. In 2015, 2016 and 2017 and the three months ended March 31, 2018, we incurred finance costs of RMB747 million, RMB5,077 million, RMB5,283 million and RMB1,638 million, respectively. Our ability to obtain external financing is subject to a variety of factors, including our financial position, results of operations, and the general condition of the global and domestic financial markets and changes in government monetary policy, interest rates, lending policies, and currency exchange rates. We cannot assure you that we will be able to raise the necessary capital to finance our planned capital expenditures on commercially favorable or acceptable terms, or at all. Inability to obtain additional financing or to generate sufficient cash from operations may require us to prioritize projects or curtail capital expenditures and could adversely affect our results of operations.

In addition, investment on fixed assets may affect our results of operations. During the Track Record Period, depreciation and amortization of our telecommunications tower, equipment and other ancillary facilities as well as other assets constituted the largest portion of our operating expenses. In 2015, 2016 and 2017 and the three months ended March 31, 2018, our depreciation and amortization were RMB5,138 million, RMB27,585 million, RMB32,642 million and RMB8,041 million, respectively, accounting for 58.4%, 49.3%, 47.5% and 46.6% of our operating revenue for the respective periods. Starting from January 1, 2018, the estimated useful life of self-built ground towers was adjusted from ten years to 20 years. Our depreciation and amortization increased from RMB7,843 million in the three months ended March 31, 2017, to RMB8,041 million in the three months ended March 31, 2018, which was partially offset by a decrease in the depreciation of towers and ancillary facilities. Specifically, our depreciation expenses of self-built ground towers decreased by RMB594 million for the three months ended March 31, 2018 due to the change of the estimated useful life of self-built ground towers. For more detailed discussion of depreciation and amortization and the financial impact of relevant accounting policies, see "*Financial Information — Recent Developments and Changes in 2018 — Change of estimated useful life of self-built ground towers*" and Note 2.1.3 of "*Appendix I — Accountant's Report*."

We may face challenges in developing our small cell and DAS business.

In 2015, 2016 and 2017 and the three months ended March 31, 2018, revenue derived from our small cell and DAS business was RMB45 million, RMB421 million, RMB1,541 million and RMB475 million, respectively, accounting for 0.5%, 0.8%, 2.2% and 2.8% of our total operating revenue, respectively. Although during the Track Record Period our small cell and DAS business had not contributed a major portion of our revenue, we anticipate they will play an increasingly important role in our business operations. The small cell and DAS business operations have certain differences from those of our macro cell business.

Among other things, we mainly face challenges in the following aspects in developing our small cell and DAS businesses.

- *Customer demand*. Our current and potential small cell and DAS customers may decide to develop their own networks rather than outsource to service providers like us, which would lead to decreased customer demand. Pursuant to a series of guidance on promoting telecommunications infrastructure co-location, jointly promulgated by the SASAC and the MIIT (the "**Implementation Opinions**"), the Telecom Group Companies and their subsidiaries in principle will no longer construct their own telecommunications towers and DAS at key venues such as subways, high-speed railways, expressways and transportation hubs. However, we cannot assure you that favorable government policies will not change. In addition, currently there is no prohibition on our customers from constructing small cell and DAS sites in places not specified in the Implementation Opinions.

- *Site acquisition and maintenance*. In addition to acquiring or leasing the underlying land or premises, we may use other ways to acquire sites for our small cell and DAS business. For example, the premises owner may only ask for an one-time entrance fee or we may simply use the public right-of-way without additional expense as long as prior approvals have been obtained. We cannot assure you that we will be able to acquire and/or maintain the right to use suitable place or such right will not be otherwise interfered.

- *Talent and technology reserve*. We have relatively limited talents and technology reserve and experience in small cell and DAS operations as compared to the traditional macro cell operations. In addition, the implications of 5G wireless communications network deployment on small cell and DAS are still unclear. Therefore, we need adequate talent and technology reserve in order to succeed in developing our small cell and DAS business.

Failure to meet these challenges may frustrate our business strategies and negatively impact our business and prospects.

Our limited operating history may affect your ability to evaluate our business and prospects.

We were established in July 2014 and only substantively commenced business operations after the Tower Asset Acquisitions in October 2015. See "*History and Development*." Our financial information for 2015 reflects limited business operations, and may not present a meaningful full picture of our financial position and results of operations. See "*Financial Information — Our Financial Information for 2015*." In 2015, 2016 and 2017 and the three months ended March 31, 2018, our total operating revenue was RMB8,802 million, RMB55,997 million, RMB68,665 million and RMB17,244 million, respectively. Substantially all of our revenue during the Track Record Period was derived from our telecommunications tower infrastructure services. Our historical results of operations may not be indicative of our future performance and our relatively short operating history may make it difficult for investors to assess our business and prospects.

Natural disasters and other unforeseen incidents could materially and adversely affect our business.

Our telecommunications tower infrastructure may be affected by natural disasters, such as earthquakes, mudflows, ice and wind storms, tornadoes, hurricanes and floods, as well as other unforeseen events, such as acts of war and terrorism. Any damage or destruction to, or due to other reasons inability to operate our telecommunications tower infrastructure would impact our ability to provide services to our customers, which may have a negative impact on our business and results of operations. In addition, natural disasters, acts of war, terrorist attacks, political tensions or conflicts and other events, many of which are beyond our control, may lead to global or regional economic instability, which may in turn materially and adversely affect our business, financial position and results of operations.

If we fail to maintain an effective quality monitoring and control system, our reputation and business may be materially and adversely affected.

The performance, quality and reliability of our services are critical to our customers and our reputation. We place great importance on our service quality control system, especially those related to site construction, site maintenance and site monitoring. For site construction, we primarily control the quality through standardizing our construction procedures and specifications, as well as site acceptance guidance. For site maintenance, we primarily control quality by implementing our standardized maintenance policies and procedures and carefully selecting suppliers. For site monitoring, we have built maintenance monitoring platform and installed power and environment monitoring devices, namely smart FSUs, to monitor camera, access control, as well as humidity, temperature, smoke and infrared sensors on our sites in operation to dynamically monitor our sites on a real-time basis. See "*Business*."

The effectiveness of our quality control system is affected by various factors, including the design and implementation of quality standards and operation of site monitoring system, our training programs and mechanism to ensure our employees' compliance with our quality control protocols and guidelines, and our ability to monitor and manage our suppliers. We cannot assure you these quality control systems are sufficient and adequate or they will not malfunction, or our internal procedures are sufficient or will be followed through by our employees and suppliers. Any deviation from our quality control protocols by our employees, any non-compliance by third parties such as suppliers, any tampering, damage or destruction of our sites and ancillary facilities, any malfunction and inadequacy of our site monitoring system and other actual or perceived quality control concerns relating to our services may result in damage to customer experience which could in turn adversely affect our reputation and business.

Any unplanned disruption or degradation of our services could harm our reputation and business.

Our reputation is partially dependent on providing our customers with reliable telecommunications tower infrastructure services. Our customers rely on our services to operate their businesses. Consequently, any disruption, or substantial and extensive degradation, of our services could have a material impact on our customers' businesses.

Our services could be disrupted by numerous events, including natural disasters, disruption of telecommunications networks, failure or refusal of the third-party service providers to provide the necessary support, failure of our monitoring system or power outages. We may also experience disruptions caused by computer viruses, unauthorized hacking of our systems, security breaches or other cyber-attacks. Specifically, our services depend on the availability of a stable supply of electricity and other utilities. We have installed on our sites back-up power supply systems such as batteries and solar panels. In the event of power outage, our back-up power supply systems generally are able to keep our sites in operations for approximately three additional hours. We cannot assure you such back-up systems will be adequate and effective to provide our sites with a stable supply of electricity in the event of a power outage or there will be no unplanned disruption or degradation of our services due to other reasons.

While we have not experienced any material interruptions in the past, service interruptions continue to be a significant risk for us and could materially impact our business. Any future service interruptions could, among other things:

- require us to reduce or waive maintenance or service fees for the month;
- require us to pay a certain amount of penalties, depending on the magnitude of the disruption;
- cause our customers to seek damages for losses incurred;
- require us to replace existing equipment or add redundant facilities;
- cause existing customers to cancel or decide not to renew their contracts;
- affect our reputation as a reliable provider of telecommunications tower infrastructure services; or
- make it difficult for us to attract new customers or cause us to lose market share.

Any widespread or prolonged interruption or substantial and extensive degradation in the functioning of our services for any reason could increase our expenses, undermine customers' confidence in our services, which would harm our reputation and business.

We may not be able to maintain our leading position or compete effectively in the PRC telecommunications tower infrastructure industry.

Currently we are the largest telecommunications tower infrastructure services provider in China. According to the F&S Report, our market share in the PRC telecommunications tower infrastructure industry in 2017 is 97.3% in terms of revenue. Our potential competitors in macro cell business are regional telecommunications tower infrastructure companies which may have strengths in site acquisition in regional areas of China. Although our macro cell business does not currently face material competition in China, we face challenges associated with developing and expanding our small cell and DAS business. Although we do not have any clearly identifiable major competitors in small cell and DAS businesses, the market size of these businesses is dependent on the Big Three TSPs' demands for external small cell and DAS infrastructure services. Our ability to maintain our leading position depends on various factors and some of which are beyond our control, such as changes in PRC laws and policies, changes in customers' business models, upgrades and innovations in telecom-related technologies, and the availability and pricing of alternative services from competitors. We cannot assure you that we will maintain the leading position in the PRC telecommunications tower infrastructure industry.

In addition, as part of our strategic plan, we intend to further develop our TSSAI business, and we may not be able to compete effectively in such area. See "— *We may not be able to successfully implement our business strategies.*" The existing or potential players in the markets we intend to enter may have greater financial, technical, marketing and distribution resources, broader products and services offering, better access to customer bases, greater brand recognition, longer operating histories or more established strategic relationships than we do. Our potential competitors in TSSAI business are primarily companies with towers and poles similar to our telecommunication towers which could host various devices, and companies which offer integrated information services and solutions. These companies might be able to adapt more quickly to market changes, technological development or customer demand, or respond more quickly to market opportunities. Failure to anticipate the market trend and successfully meet these challenges would materially and adversely affect our business, prospects, financial position and results of operations.

Our sites and facilities may be damaged or destructed.

If any of our sites and facilities has design, construction or other latent property or mechanical defects, we may need to conduct necessary repairs, maintenance or replacements to rectify these defects. Wear and tear of our sites and facilities, larceny or tampering by third parties, adverse weather conditions and natural disasters could also result in defects that require repairs or replacement. Such defects, and the repair, maintenance or replacement works carried out to rectify them could increase our costs. In addition, our sites are geographically dispersed, which poses great challenges to our maintenance work and we may not be able to detect and address potential damage and destruction on a timely basis. We rely on third-party service providers to conduct site maintenance. Damage or destruction of our sites and facilities may influence the quality of our services and incur additional costs, which would materially and adversely affect our business and results of operations.

Failure or delay in collecting trade receivables from our customers could affect our financial condition.

We extend credit to a number of our customers based on factors such as their category, business type and value of their contracts. Our claims for payment expose us to credit risks of our customers in the event of their insolvency or bankruptcy. Our trade receivables as of December 31, 2016 and 2017 and March 31, 2018 were RMB10,852 million, RMB10,926 million and RMB14,357 million, respectively. In 2016 and 2017 and the three months ended March 31, 2018, our trade receivables turnover days were 66, 58 and 66, respectively. Moreover, as we generate substantially all of our operating revenue from the Big Three TSPs, we may be exposed to concentration risks with respect to our trade receivables. As of December 31, 2017 and March 31, 2018, trade receivables from the Big Three TSPs collectively accounted for 99.4% and 99.2%, respectively, of our total trade receivables.

We perform ongoing credit evaluations of our customers' credibility based on our past dealings. However, we cannot assure you that such evaluations are sufficient and adequate or our customers will not defer or default on payment. Delay in settling receivables by our customers may affect our cash flows and increase our working capital needs. If a customer defaults on its payments under a contract to which we have devoted significant resources, it could also affect our liquidity and limit the capital resources available to us for other purposes. We may seek compensation for losses that we incurred, but the settlement process generally takes significant time as well as financial and other resources, and the outcome may not be favorable to us.

We rely on third-party service providers in site construction, maintenance and other services.

We rely on third parties to provide services such as site construction, site maintenance, supervision and design. For instance, we rely on service providers to conduct site maintenance. In 2015, 2016 and 2017 and the three months ended March 31, 2018, our repairs and maintenance expenses were RMB1,387 million, RMB5,750 million, RMB6,156 million and RMB1,514 million, respectively, representing 10.7%, 11.3%, 10.1% and 10.0% of our operating expenses for the respective periods. Although we enter into service agreements with and provide protocols and guidelines to our service providers and other suppliers, we cannot assure you that they will strictly comply with such agreements, protocols and guidelines. Their services may not meet our quality standard or fall within our budget.

In addition, our sites and ancillary facilities constructed by third-party service providers may not be delivered to us on time or within budget, which in turn would result in late delivery to our customers and increase in costs. Several factors may lead to construction delays or cost overruns, including:

- failure to obtain relevant regulatory approvals, licenses, or permits from government agencies as scheduled;
- suspension of the construction of certain outdoor projects due to weather condition, orders from regulatory agencies or negative community sentiment;
- delivery delays caused by shortages of key equipment, materials or labor;
- quality issues with equipment;
- unexpected engineering, design, environmental or geological problems; and
- planning, design and specification errors.

Some of these factors are beyond our control and we cannot assure you that our construction projects can be completed on time and within budget. Any failure or delay during a construction project could result in, among other things, increased costs and expenses, delay or a reduction in payment from our customers to us, and/or potential contractual liabilities. Furthermore, our results of operations would suffer due to cost overruns to the extent we cannot pass on the additional costs to our customers. In either case, our business, financial position and results of operations would be materially and adversely affected.

Our business operations may be affected by the performance of certain telecommunications networks.

We primarily rely on a limited number of TSPs to provide communications services through local telecommunications lines, base stations and Internet data centers. We also use Internet data centers to host our servers. As a result, we have limited access to alternative networks or services in the event of disruptions, failures or other problems with the telecommunications networks provided by the TSPs. If our ability to provide services is restricted due to TSPs' system disruption or other reasons, our service quality would be affected. We cannot assure you that the telecommunications networks we rely on will be able to support the demand associated with our continued data traffic growth. In addition, we have limited control over the costs of the services provided by TSPs. If the prices we pay for telecommunications services rise significantly, our results of operations may be negatively affected.

If we fail to implement our risk management and internal control policies and procedures effectively, our business and prospects may be materially and adversely affected.

We have continuously enhanced our risk management ability and internal controls since our establishment. See "*Business — Risk Management and Internal Control.*" However, we cannot assure you that our risk management and internal control policies and procedures will adequately control or protect us against all risks. Some of these risks are unforeseeable or unidentifiable and may be more severe than what we have anticipated. Our risk management capabilities and ability to effectively monitor legal compliance and other risks are restricted by the information, tools, models and technologies available to us. In addition, given the limited history of some aspects of our risk management and internal control policies and procedures, we may need additional time to implement these policies and procedures in order to fully assess their impact and adequacy and evaluate our compliance with them. Moreover, our employees may need time to adjust to these policies and procedures and we cannot assure you that our employees will be able to consistently comply with or correctly apply them. If we fail to implement our risk management and internal control policies, procedures and systems effectively, or if the intended results of such policies, procedures and systems are not achieved in a timely manner, our reputation, business, financial position, results of operations may be materially and adversely affected.

We may not be able to successfully implement our business strategies.

To successfully execute our business strategies, we will be required to commit a substantial amount of managerial, operating and financing resources. We may not be able to successfully execute our business initiatives due to changes or miscalculation of market and macro-economic conditions, failure to overcome technical hurdles, failure to obtain financing and requisite permits or licenses for new services, misunderstandings about market demand or lack of experience. Failure in implementation and execution of our business strategy and expansion plan could materially and adversely affect our business and prospects.

We intend to further develop our TSSAI business so as to better utilize our assets and resources and capitalize on our existing competitive advantages. However, our venture into new markets and provision of new services and products may not be successful. New markets may have different regulatory requirements, competitive conditions, customer needs and preferences. The existing players in the new markets may have better understanding and insights of market trend, access to resources and customer base than we do. Customers in new markets are likely unfamiliar with our brand and services and we may need to build or increase brand recognition by increasing investments in marketing and promotional activities which might exceed our original plans. As a result, services we introduce in new markets may cost more and/or take longer to reach expected sales and profit levels than those in our existing markets. Furthermore, the process of developing and introducing new services and solutions is inherently complex and involves significant uncertainties. If we fail to introduce new services or products that meet our customers' evolving needs or otherwise fail to anticipate or adapt to changes in evolving industry standards and technologies, we may not be able to compete effectively in the new market.

Some technological innovations could render our telecommunications tower infrastructure less competitive or even obsolete and/or result in changes in our customers' business model or strategy, which may materially and adversely affect our business and results of operations.

Technological innovation is one of the main drivers of the telecommunications industry which demands us to continuously improve our technologies and services. Technological changes related to telecommunications will materially affect our business, especially those (i) affecting the number or types of telecommunications tower infrastructure needed to provide connectivity to a given geographic area, or which may otherwise serve as substitute or alternative to our infrastructure, and (ii) resulting in the obsolescence, potential decommissioning or conversion of certain existing wireless communications networks. Improvements in the efficiency, architecture, and design of telecommunications networks and improvements in the efficiency, coverage, and power of base station equipment may reduce the demand for our sites, such as signal combining technologies or network functions virtualization. In addition, we may incur substantial capital expenditures to adapt to these innovations. If a new generation of wireless communications technology standards emerges, under which the existing telecommunications network equipment is not suitable for our existing sites, we may have to redesign and construct new varieties of telecommunications infrastructure, which may cause us to incur excessive capital expenditures and materially affect our operating results and the value of our sites. Furthermore, the 5G wireless communications technology standards may apply certain high frequency bands with less transmission distance. Under such circumstances, our TSP customers may need substantial amount of high-density small cells to deploy their 5G networks. As a result, our sites, revenue mix, operating profit margin and results of operations may be materially and adversely affected.

Our business is influenced by the amount, timing, and mix of our customers' network design and investment. New technologies may also result in changes in customers' business model or strategy that would consequently reduce their need for our services, decrease demand for site or lead to price reduction. Examples of these technologies include spectrum efficiency technologies, which could relieve a portion of our customers' network capacity needs and, as a result, could reduce the demand for antenna and site space. Additionally, certain small cell complementary network technologies could shift a portion of our customers' network investments away from the traditional macro-cell-based networks, which may reduce the need for TSPs to add more equipment at certain sites. Moreover, the emergence of alternative technologies could reduce the need for macro cell.

We rely on our R&D efforts to anticipate industry trends and compete effectively. We have invested and will continue to invest resources in our R&D activities. However, we cannot assure you our R&D capabilities are adequate and sufficient. Our R&D objectives may not be accomplished within the timetable and our investment in such R&D activities may not fully deliver the expected return or at all. The costs of such R&D activities may not be fully or partially recovered, and the results of such efforts may not be amenable to commercialization and deliver the expected financial returns. If we are unable to accurately anticipate the trend of the technological developments, respond quickly to changing customer demands, timely introduce our new services or continue to develop our proprietary technologies and know-how to maintain or enhance our competitive advantage, our business, prospects, financial position and results of operations will be materially and adversely affected.

We had cash outflow from operating activities in 2015 and net current liabilities during the Track Record Period. If we continue to have operating cash outflow or net current liabilities in the future, our liquidity and financial position may be materially and adversely affected.

We had cash outflow from operating activities of RMB6,729 million in 2015, and net current liabilities of RMB10,014 million, RMB132,003 million, RMB119,524 million and RMB112,637 million as of December 31, 2015, 2016 and 2017 and March 31, 2018, respectively. We cannot assure you that we will be able to generate cash inflows from operating activities, and we may continue to have significant net current liabilities in the future. Our liquidity and financial position may be materially and adversely affected by operating cash outflows or net current liabilities, and we cannot assure you that we will have sufficient cash from other sources to fund our operations. If we resort to other financing activities to generate additional cash, we may incur financing costs and we cannot guarantee that we will be able to obtain the financing on terms acceptable to us, or at all.

Our leverage, debt obligations, interest rates and financing environment may have negative impacts on our ability to raise additional capital to fund our capital expenditures, future growth and expansion initiatives.

From time to time we incur debt obligations to finance our working capital and capital expenditures. Our leverage and debt obligations may have material effects on our business, financial position and results of operations, including:

- requiring the dedication of a substantial portion of our cash flows from operations to service our debt, thereby reducing the amount of our cash flows available for other purposes, including capital expenditures and dividends;

- impairing our ability to generate cash sufficient to pay interest or principal due under those financing agreements, which could result in an acceleration of some or all of our outstanding debt and the loss of our assets securing such debt if a default remains uncured;

- limiting our ability to obtain additional debt or equity financing, thereby placing us at a possible competitive disadvantage to less leveraged competitors and competitors that may have better access to capital resources, including with respect to acquisition activities; and

- limiting our flexibility in planning for, or reacting to, changes in our business and the markets in which we compete.

In addition, restrictive covenants, if any, in the agreements related to our credit facilities and our debt securities may materially and adversely affect our business by limiting flexibility, and we may be prohibited from declaring or paying dividends.

We are also subject to interest rate risk. As of December 31, 2015, 2016 and 2017 and March 31, 2018, our outstanding interest-bearing liabilities were RMB118,183 million, RMB140,032 million, RMB156,305 million and RMB160,361 million, respectively. In 2015, 2016 and 2017 and the three months ended March 31, 2018, our total finance costs were RMB747 million, RMB5,077 million, RMB5,283 million and RMB1,638 million, respectively. The interest rates of our borrowings are generally determined with reference to the benchmark interest rate announced by the PBOC. In 2015, 2016 and 2017 and the three months ended March 31, 2017 and 2018, the effective annual interest rates of our long-term borrowings were 4.41%, 4.41%, 4.41% to 4.75%, 4.41%, and 4.41% to 4.75%, respectively. During the same period, the interest rates of our short-term borrowings ranged from 3.48% to 3.92%, 2.35% to 3.915%, 2.35% to 4.35%, 2.35% to 3.92% and 2.35% to 4.35% per annum, respectively. As of March 31, 2018, except for the long-term bank borrowings of RMB39,600 million that carried floating rates, all of our interest-bearing liabilities carried fixed rates, and we had no position in interest rate swap or similar arrangement. Any increase in the interest rate offered to us and the general availability of fund may materially and adversely affect our business and results of operations. For discussions of our interest rate risk exposure, see "*Financial Information — Disclosure About Financial Risk*" and Note 3 of "*Appendix I — Accountant's Report*." We may need to raise additional capital through debt financing activities, asset sales or equity issuances to fund our capital expenditures, future growth and expansion initiatives and to satisfy our dividend distribution requirements and debt service obligations when the market condition is not favorable. An increase in our total leverage may lead to a downgrade of ratings of our notes, which could negatively impact our ability to access credit markets. Additional financing, therefore, may be unavailable, more expensive or restricted by the terms of our outstanding indebtedness.

The adoption of IFRS 16 "Leases" will have an impact on our financial position and results of operations.

We lease office premises and site properties for telecommunications towers as lessee under non-cancellable operating lease agreements. As a lessee, and taking into account that our total non-cancellable operating lease commitments accounted for over 10% of our total liabilities as of December 31, 2017 and March 31, 2018, as well as the provision of the sub-lease arrangement, we expect that the adoption of IFRS 16 as compared with the current accounting policy would result in a significant impact on our assets and liabilities. Upon adoption of IFRS 16, we will recognize right-of-use assets and a liability reflecting the present values of theses future lease payments in the statement of balance sheet, unless the underlying asset of the lease is of low value or the lease is short-term. In addition, the adoption of IFRS 16 may have an impact on our results of operations in terms of categorization. Specifically, the recognition of related operating lease expenses would be instead recognized as depreciation expenses of the related right-of-use asset and interest expenses on the lease liability in the statement of comprehensive income. See Note 2.1.2 of "*Appendix I — Accountant's Report.*"

Our deferred income tax assets are subject to future uncertainties.

In the application of our accounting policies, our management is required to make judgments, estimates and assumptions about the carrying amounts of certain assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Therefore, actual results may differ from these accounting estimates. See Note 4 of the Accountant's Report set out in Appendix I to this prospectus. As of December 31, 2015, 2016 and 2017 and March 31, 2018, we recognized deferred income tax assets of RMB1,238 million, RMB1,208 million, RMB689 million and RMB636 million, respectively. The temporary differences between the carrying amount of our assets and liabilities in the financial statements and their tax bases give rise to deferred income tax assets or liabilities. We recognize deferred income tax assets based on our estimates and assumptions that they will be recovered from taxable income arising from continuing operations in the foreseeable future. If sufficient profits or taxable temporary differences are not expected to be generated or are less than expected, our deferred income tax assets should be reversed immediately.

Our insurance coverage may not adequately cover the risks related to our business and operations.

The applicable PRC laws and regulations do not require telecommunications tower infrastructure service providers to maintain insurance for the infrastructure they operate. In accordance with relevant PRC laws and regulations, we maintain social security insurance for our employees. In addition, we purchase personal accident insurance for our employees. We do not maintain any business interruption insurance nor property insurance for our assets. See "*Business — Insurance*." We cannot assure you that our insurance coverage is sufficient to cover all our potential losses. In line with what we believe to be industry practice, we have elected not to insure against certain other risks as a result of high premiums or other reasons or have agreed to policy limits on certain coverage. Furthermore, because insurance companies in China generally do not offer as extensive an array of insurance products as insurance companies in more developed economies, some of the risks we are exposed to are not insurable. We cannot assure you that we will be able to maintain our current insurance coverage at commercially reasonable premiums, or at all, or that any coverage we obtain will be adequate and available to cover the extent of any claims against us. If we suffer a significant liability for which we are not insured or our insurance coverage is inadequate, our business, financial position and results of operations could be materially and adversely affected.

We may be subject to information technology system breaches, hacking, failures, or disruptions that could harm our business, financial position and results of operations.

We rely on information technology systems to operate and manage our business and to process, maintain, and safeguard information, including information belonging to us, our customers and employees. Our computer systems may fail of their own accord and are subject to interruption or damage from power outages, human error or abuse, new system installations, computer viruses, security breaches (including through cyber-attack and data theft), catastrophic events such as natural disasters and other events beyond our control (such as acts of war or terrorism). Moreover, hacking and data theft techniques are continuously evolving, and our anti-virus systems and security measures may not be able to adjust to these changes in a timely manner. Although we are continuously working to maintain secure and reliable systems, we cannot assure you our efforts will be effective and adequate. If our information technology systems and our backup systems are compromised, degraded, damaged, or breached, or otherwise cease to function properly, we could suffer interruptions in our operations or unintentionally allow misappropriation of proprietary or confidential information (including information about our customers), which could damage our reputation and result in significant expenses and legal claims. Information technology system breaches or failures of the systems of our partners and customers may also result in similar adverse consequences. Any of these events could materially and adversely affect our reputation, business, financial position and results of operations.

Our business depends on the continuing efforts of our key management and technical personnel, and it may be severely disrupted if we lose their services.

Our smooth operations and future growth depend, to a significant extent, on our ability to attract, train and retain qualified executive officers, engineers and technicians, particularly those with expertise in the telecommunications industry and relationships with our major customers. None of our officers or key employees is bound by an employment agreement for any specific term. Members of our senior management team have left over the years for a variety of reasons such as retirement, personal choices or even under the directive of government or administrative order. We cannot assure you that there will not be additional departures, which may be disruptive to our operations and detrimental to our outlook. We do not have "key person" insurance policies covering any of our officers or other key employees, and we therefore have no way of mitigating our financial loss were to lose their services. There is increasing competition for qualified personnel and we cannot assure you that we will be able to attract or retain qualified personnel on reasonable terms or at all. If one or more of our key executive officers, engineers or technicians are unable or unwilling to continue in their present positions, we may not be able to replace them easily or at all. The loss of the services of any of our key management members or employees could disrupt our operations, delay or obstruct the development and introduction of our services and solutions, negatively impact our service capacities and incur additional recruiting expenses, thereby materially and adversely affect our business, financial position and results of operations.

We may face risks associated with our overseas expansion efforts.

We may consider to expand our business operations overseas as part of our strategic plan in the future. In particular, we intend to capture the opportunities brought by the "Belt and Road Initiative" and expand our telecommunications tower infrastructure business overseas. Expansion will require us to make relatively large expenditures, such as constructing in the local area or hiring of local employees before generating income. We may fail to achieve profitable operations that will compensate our investment. International operations are subject to significant additional risks not generally faced in our domestic operations, including risks relating to legal systems that may not adequately protect contract and intellectual property rights, policies and taxation, the physical infrastructure of the target country, as well as risks relating to potential political turmoil and currency exchange controls. In addition, international operations and expansion are subject to geopolitical risks. We cannot assure you that these risks associated with overseas expansion will not materially and adversely affect our business or strategic plans.

RISKS RELATING TO LEGAL, COMPLIANCE AND REGULATORY MATTERS

Changes in laws and regulations, and PRC national or local policies, especially those related to telecommunications industry, may materially and adversely affect our business, financial position and results of operations.

Our business and that of our customers are subject to PRC national, local and other applicable jurisdiction regulations. Existing regulatory policies may negatively affect the timing or cost of our site construction projects and new regulations may be adopted that increase delays, result in additional costs, or prevent such projects in certain locations. Non-compliance could result in the imposition of fines or an award of damages to private litigants. There may be changes to local zoning regulations or construction laws based on site location, which may result in additional costs to modify certain of our existing sites and facilities or decreased revenue due to the removal of certain sites to ensure compliance with such changes.

Currently we are the largest telecommunications tower infrastructure service provider in China. According to the F&S Report, our market share in the PRC telecommunications tower infrastructure industry in 2017 is 97.3% in terms of revenue. Pursuant to a series of guidance on promoting telecommunications infrastructure co-location, jointly promulgated by the SASAC and the MIIT, the Telecom Group Companies and their subsidiaries in principle will no longer construct their own telecommunications towers and DAS at key venues such as subways, high-speed railways, expressways and transportation hubs. In addition, our business is also influenced by the government policies affecting the industry of our customers, especially the telecommunications industry. For example, the PRC government requires the Big Three TSPs to take measures to upgrade wireless network speed and reduce tariff, which may affect our customers' demand for our services. If the government policies change in a manner that affects the competitive landscape of the PRC telecommunications tower infrastructure industry and our customers' demand, or limits our ability to acquire, construct and maintain sites, our business and results of operations would be materially and adversely affected.

Any failure to comply with applicable laws and regulations may materially and adversely affect our business, financial position and results of operations.

Our operations are subject to the applicable laws and regulations promulgated by the PRC government and other relevant jurisdictions. Any non-compliance with these laws and regulations may exposed us to penalties, fines, business suspensions or other actions. For example, we are subject to the PRC environment protection laws and regulations that have become more stringent over time. Changes in those laws and regulations may cause us to incur additional compliance costs. Any failure, or perceived failure, by us to comply with environment-related laws, government regulations or directives, or industry self-regulatory principles could result in damage to our reputation or proceedings or actions against us by governmental entities or others, which could potentially have an adverse effect on our business. The identification of presently unidentified environmental conditions, more vigorous enforcement of current environmental, health and safety requirements by regulatory agencies, the enactment of more stringent laws and regulations, or other unanticipated events could restrict our ability to use or expand our sites and other facilities, require us to install additional environment monitoring and control equipment, or require us to modify or remove our sites or modify our construction and installation processes, as a result of which our business, financial position and results of operations could be materially and adversely affected.

We need licenses and permits to conduct our business.

We need licenses and permits issued by competent government agencies for our business operations. See "*Business — Licenses and Regulatory Permits.*" As of the Latest Practicable Date, we had acquired and maintained all licenses and permits that are material for our business operations. As we expand our service offering, it is possible that some regulatory agencies, in the future, may deem our operations to have exceeded the terms of our existing licenses. We may need to apply for new types of licenses and permits from relevant government agencies to execute our business expansion strategies. Further, we cannot assure you that we will be able to successfully renew our licenses upon expiration, or obtain other appropriate licenses necessary for us to carry out our business or that granted licenses will continue to cover all aspects of our operations upon its renewal. In addition, new laws, regulations or government interpretations may also be promulgated from time to time to regulate our businesses or any of our related technology or services, which may require us to obtain additional operating licenses or permits. Any of these factors could result in our disqualification from carrying out our business, causing significant disruption to our operations, which may materially and adversely affect our business and results of operations. If we fail to acquire, obtain or maintain applicable licenses or permits, or are deemed by relevant governmental authorities to be operating outside the terms of our existing licenses or permits, our business would be materially and adversely affected.

We may not be able to detect and prevent bribery or other misconduct committed by our employees or third parties.

We may be exposed to fraud, bribery or other misconduct committed by our employees, suppliers, agents, customers or other third parties that could subject us to financial losses and regulatory penalties and adversely affect our reputation. Our internal control procedures are designed to monitor our operations and ensure overall compliance. See "*Business — Legal Proceedings and Compliance*." However, our internal control procedures may be unable to identify all non-compliance incidents or suspicious activities in a timely manner or at all. Bribery, including acceptance of kickbacks, bribes or other illegal benefits or gains by our employees or third parties, such as our agents or suppliers, in our ordinary course of business may be difficult to detect and the precautions we take to prevent and detect such activities may not be effective. Our failure to detect and prevent bribery and other misconduct may have a material adverse effect on our business and reputation.

If our preferential tax treatments become unavailable or if the calculation of our tax liability is successfully challenged by the PRC tax authorities, our results of operations would be materially and adversely affected.

During the Track Record Period, we enjoyed preferential tax treatment under applicable tax incentive programs. We cannot assure you that we will continue to enjoy similar preferential tax treatment in the future. The PRC Enterprise Income Tax ("**EIT**") Law and its implementation rules have adopted a flat statutory EIT rate of 25% to all enterprises in China (if not entitled to any preferential tax treatment). Some of our branches also received tax benefits under state tax incentive programs. Specifically, some of our branches are taxed at a preferential rate of 15%. If we cease to be entitled to some tax incentive programs, our income tax expenses may increase, which would adversely affect our results of operations.

In the ordinary course of our business, we are subject to complex income tax and other taxation regulations and judgment is required in the determination of a provision for income taxes. We recorded tax payables of RMB288 million on our balance sheet as of March 31, 2018, to reflect the management's estimate of our potential income tax liability. Although we believe our income tax provisions are reasonable, if the PRC tax authorities successfully challenge our positions and we are required to pay tax liabilities in excess of our income tax provisions, our results of operations and financial position would be materially and adversely affected.

We may be involved in legal and other proceedings arising out of our operations from time to time and may face significant liabilities as a result.

We may be involved in a number of legal proceedings, including leasehold disputes, labor dispute, tort and other litigations, which arise from time to time in our ordinary course of business. In addition, we may also be subject to administrative proceedings for our failure to comply with regulatory requirements. See "*Business — Legal Proceedings and Compliance.*" We may be involved in disputes with various parties arising outside our operations. Disputes and administrative penalties may lead to protests, legal or other proceedings, and may result in disruption of our business plan, damage to our reputation, additional costs and diversion of our resources and management's attention.

We cannot assure you that we will not be involved in any major disputes or legal or other proceedings in the future. In addition, from time to time, our officers and management may be involved in litigation or other legal proceedings, even though our Company may not be directly involved in such proceedings, such proceedings may affect our reputation and, consequently, adversely impact our business.

We may be subject to liability in connection with industrial accidents at our facilities.

Due to the nature of our business operations, we are subject to the risks of potential liability associated with industrial accidents at our facilities or incurred by any reason attributable to us or our third-party service providers. Risks associated with our construction activities include work-related injuries, which may result in personal injuries or fatalities, and damage to property and equipment. Accidents related to any of these activities may result in personal injury claims, cessation of business, or civil or criminal penalties. We cannot assure you that industrial accidents, whether due to malfunctions of equipment or other reasons, will not occur in the future at our sites and facilities. Under such circumstances, we may be subject to claims from third parties for compensation or penalties imposed by competent government authorities. In addition, we may experience interruptions in our constructions or be required to change the approaches thereof as a result of governmental investigations or the implementation of safety measures due to accidents. Any of the foregoing events could negatively affect our business, financial position and results of operations.

Some of our Shareholders or their affiliates are listed on exchanges in multiple jurisdictions thereby subject to regulations and supervision from multiple regulatory agencies. Any regulatory non-compliance matter, investigation or negative publicity involving our Shareholders or any adverse action against them may subject us to risk exposures.

Some of our Shareholders and their affiliates are listed on exchanges in multiple jurisdictions, including the US, the PRC and Hong Kong. In particular, China Mobile Limited (the parent of China Mobile Communication Company Limited), China Unicom (Hong Kong) Limited (the parent of China United Network Communications Corporation Limited) and China Telecom Corporation Limited are each dual-listed on the NYSE and Hong Kong Stock Exchange. Each of which is referred to as a "**US-Listed Shareholder**" or "**HK-Listed Shareholder**" as the case may be. In addition, China United Network Communications Limited is listed on the SSE (together with the HK-Listed Shareholders and US-Listed Shareholders, the "**Listed Shareholders**"). As such, our Listed Shareholders are subject to regulations and supervision from multiple regulatory agencies in different jurisdictions and must comply with various applicable rules promulgated by the exchanges on which they are listed, such as the Listing Rules, NYSE's Listed Company Manual and Rules Governing the Listing of Stocks on Shanghai Stock Exchange. These rules and regulations impose certain reporting obligations relating to our Listed Shareholders' respective interest in us and transactions and business relationships with us. Such on-going compliance obligations, particularly the matters and transactions in relation to us, may impose on us greater administrative burdens and costs.

Further, the information related to us issued by our Listed Shareholders may be based on the business judgment of their management, different regulatory requirements of the different authorities, different market practices in various markets that might be different from those applicable to the Global Offering. Such information does not and will not form a part of this prospectus. As a result, prospective investors in our H Shares are reminded that, in making their investment decisions as to whether to purchase our H Shares, they should rely only on the financial, operating and other information included in this prospectus and the Application Forms. In addition, any non-compliance of, investigation on, negative report about or adverse action against our Listed Shareholders, whether or not such incident or action implicates us, may subject us to risk exposures and have a material adverse effect on our reputation, business, financial position and results of operations.

We may not be able to adequately protect our intellectually property rights and we may be exposed to intellectual property infringement or misappropriation claims.

We rely primarily on a combination of patent, trademark, copyright and trade secret protections, as well as confidentiality agreements, to safeguard our intellectual property rights. With respect to proprietary know-how that is not patentable and production processes for which patents are difficult to enforce, we rely on trade secret protections, confidentiality agreements and other measures to safeguard our interests. However, the steps taken by us to protect such proprietary information may not be sufficiently adequate to prevent misappropriation of our technology because:

- individuals may not be deterred from misappropriating our technologies despite the existence of laws or contracts prohibiting misappropriation;

- policing unauthorized use of our intellectual property may be difficult, expensive and time-consuming, and we may be unable to determine the extent of any unauthorized use; and

- PRC legal regime may not protect intellectual property rights to the same extent or level as in developed countries.

We cannot assure you that infringement of our intellectual property rights by other parties does not exist now or that it will not occur in the future.

In addition, our success partially depends on our ability to use and develop our technology and know-how without infringing the intellectual property rights of third parties. We may inadvertently employ third-party intellectual property in our business operations. Third parties may claim that we are infringing or contributing to the infringement of their intellectual property rights, whether such claims are valid or not. In addition, because patent applications in many jurisdictions are kept confidential for an extended period before they are published, we may be unaware of pending patent applications by other parties that relate to our technologies, solutions or processes.

The validity and scope of claims relating to patents involve complex scientific, legal and factual questions and analysis and, therefore, may be highly uncertain. The prosecution and defense of intellectual property suits, patent opposition proceedings and related legal and administrative proceedings can be both costly and time consuming and may significantly divert the efforts and resources of our technical and management personnel. An adverse determination in any such litigation or proceedings to which we may become a party could subject us to significant liability to third parties, require us to seek licenses from third parties, to pay ongoing royalties, or to redesign our site distribution and system or subject us to injunctions prohibiting the use of our technologies. The occurrence of any of the foregoing may have a material adverse effect on our business, financial position, and results of operations.

Failure to obtain or maintain the right to use the IP rights of third parties that are necessary to operate our business, or to protect their IP may adversely affect our business.

From time to time, we may choose to or be required to license technology or intellectual property from third parties in connection with business operations. We cannot assure you that third-party licenses will be available to us on commercially reasonable terms, or at all. Generally a granted license entails payments of up-front fees, ongoing royalties or both. These payments or other terms could have adverse impacts on our results of operations. Our inability to obtain a necessary third-party license may require us to replace with technology of lower quality or performance standards, or of greater cost, either of which could adversely affect our business. We may also be subject to litigation to defend against infringement claims if we are not able to obtain necessary licenses from third parties.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Changes in economic, political and social conditions and government policies in the PRC could have a material adverse effect on our business, prospects, financial position and results of operations.

All of our business operations and assets are located in the PRC and during the Track Record Period all of our revenue was derived from our business in the PRC. As a result, our business, prospects, financial position and results of operations are subject to political, economic, legal and regulatory regime and other factors specific to the PRC. The PRC economy differs from the economies of developed countries in many respects, including the extent of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. The PRC government also exercises significant control over PRC economic growth through allocation of resources, restrictions on payment of foreign currency-denominated obligations, monetary policy making and provision of preferential treatment to particular industries or companies. The PRC government continues to play a significant role in regulating the telecommunications industry.

While the PRC economy has experienced significant growth over the past decade, growth has been uneven, both geographically and among various sectors of the economy. The PRC government has implemented various measures to guide the allocation of resources. Some of these measures may benefit the overall PRC economy, but may also have a negative effect on us. The PRC government has in the past implemented certain measures, including interest rate changes, in an attempt to manage the economic growth rate. Furthermore, the PRC economy relies significantly on exports and is accordingly closely tied to, and is affected by developments in, the global economy. Liquidity and credit concerns and volatility in the global financial markets in recent years and persistent concerns regarding a potentially long-term and widespread recession have contributed to reduced customer confidence and diminished expectations for economic growth around the world.

Since all of our revenue was derived in the PRC, any prolonged slowdown in the PRC economy or downturn affecting the global economy could materially and adversely affect our business, prospects, financial position and results of operations.

Uncertainties with respect to the PRC legal system could have a material adverse effect on us.

As a PRC-incorporated company with all business operations located in China, our operations are governed by PRC laws and regulations. The PRC legal system is based on statutory law. Prior court decisions may be cited for reference, but have limited precedential value. The prevalent PRC laws and regulations may not sufficiently cover all aspects of economic activities in China. As some of these laws and regulations are relatively new, and because of the limited volume of published court decisions and their non-binding nature, the interpretation and enforcement of these laws and regulations may involve uncertainties and may not be as consistent or predictable as in other jurisdictions.

In addition, the legal protections available to us under PRC laws and regulations may be limited. Any litigation or regulatory enforcement action in the PRC may be prolonged and could result in substantial costs and diversion of our resources and management attention. Moreover, we cannot assure you that the PRC government will not amend or revise existing laws or regulations, or promulgate new laws or regulations, in a manner which materially and adversely affects our business, financial position or results of operations. For example, the PRC government may require additional approvals, licenses or permits for our business and operations, or impose stricter requirements or conditions for the maintenance or renewal of approvals, licenses or permits required for our business and operations. Any loss of or failure to obtain, maintain or renew our approvals, licenses or permits could disrupt our operations or subject us to fines or penalties imposed by the PRC government.

Investors may experience difficulties in effecting service of legal process and enforcing judgments against us and our Directors, Supervisors and senior management.

We are a company incorporated in China and all of our assets are located in the PRC. In addition, the majority of our Directors and senior management reside in the PRC. As a result, it may be difficult for investors to effect service of process outside of China upon us, our Directors or senior management or to enforce judgments obtained against us in courts outside the PRC.

A judgment of a court of another jurisdiction may be reciprocally recognized or enforced in the PRC only if the jurisdiction has a treaty with the PRC or if the jurisdiction has been otherwise deemed by the PRC courts to satisfy the requirements for reciprocal recognition, subject to the satisfaction of other requirements. However, the PRC is not a party to treaties providing for the reciprocal enforcement of judgments of courts with foreign countries such as the United States and the United Kingdom and enforcement in the PRC of judgments of a court in these jurisdictions may consequently be difficult or impossible.

The Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil or Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) a party concerned in a civil or commercial case pursuant to any written agreement may apply to a designated People's Court of the PRC or Hong Kong court for recognition and enforcement of the judgment requiring payment of money. However, the rights under the arrangement may be limited and the interpretation of and cases decided under the arrangement have not been fully developed, and therefore, it is uncertain with respect to the outcome and effectiveness of any action brought under the arrangement.

Our Articles of Association provide that disputes between holders of our H Shares and us, our Directors, Supervisors or senior management, arising out of our Articles of Association, PRC Company Law and applicable regulations concerning our business and activities, are to be resolved through arbitration by the China International Economic and Trade Arbitration Commission (CIETAC) or the Hong Kong International Arbitration Centre (HKIAC). Awards made by the PRC arbitral authorities recognized under the Hong Kong Arbitration Ordinance can be enforced in Hong Kong. Hong Kong arbitral awards are also enforceable in the PRC, subject to the satisfaction of certain PRC legal requirements. However, we are uncertain whether the action brought in the PRC to enforce an arbitral award made in favor of holders of H Shares would succeed.

Restrictions on the remittance of RMB into and out of the PRC and governmental control of currency conversion may limit our ability to pay dividends and other obligations, and affect the value of your investment.

The PRC government imposes controls on the convertibility of RMB into foreign currencies. We receive all of our revenue in RMB. We may convert a portion of our revenue into other currencies to meet our foreign currency obligations, such as payments to certain suppliers and payments of dividends declared in respect of our Shares, if any. Shortages in the availability of foreign currency may restrict our ability to remit sufficient foreign currency to pay dividends, or otherwise satisfy our foreign currency denominated obligations.

Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval by complying with certain procedural requirements. However, approval from or registration with competent government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders. Further, we cannot assure you that new regulations will not be promulgated in the future that would have the effect of further restricting the remittance of RMB into or out of China.

Fluctuations in the value of the RMB could have an adverse effect on your investment.

The value of RMB against Hong Kong dollar, U.S. dollar and other foreign currencies is affected by, among other things, changes in the PRC's foreign exchange policies and international economic and political developments. There remains significant international pressure on the PRC government to adopt a more flexible currency policy, which may result in further and more significant fluctuations in the value of RMB against Hong Kong dollar, U.S. dollar and other foreign currencies.

All of our revenue and expenses are denominated in RMB and fluctuations in exchange rates may adversely affect the value of our net asset and earnings. In addition, the dividends from our H Shares will be received in Hong Kong dollars. As a result, any appreciation of RMB against U.S. dollars, Hong Kong dollars or any other foreign currencies may result in a decrease in the value of the dividend earnings. Conversely, any depreciation of the RMB may adversely affect the value of our H Shares in foreign currency. Any significant fluctuation in the value of the RMB against foreign currencies could materially and adversely affect us and the value of your investment in our H Shares.

Holders of our H Shares may be subject to PRC income tax obligations.

Under the Current PRC tax laws and regulations, non-PRC resident individuals and non-PRC resident enterprises are subject to different tax obligations with respect to the dividends paid to them by us and the gains realized upon the sale or other disposition of H Shares.

Non-PRC resident individuals are required to pay PRC individual income tax at a 20% rate for the income derived in China under Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法》) and its implementation guidelines. Accordingly, we are required to withhold such tax from dividend payments, unless applicable tax treaties between China and the jurisdiction in which the foreign individual resides reduce or provide an exemption for the relevant tax obligations. Generally, a withholding tax rate of 10% shall apply to the dividends paid by a Hong Kong listed company to its foreign individual shareholders according to the treaties. Where the 10% tax rate is not applicable, the withholding company shall: (i) return the excessive tax amount pursuant to due procedures if the applicable tax rate is lower than 10%; (ii) withhold such foreign individual income tax at the applicable tax rate between 10% and 20%; or (iii) withhold such foreign individual income tax at a rate of 20% if no double taxation treaty is applicable.

For non-PRC resident enterprises that do not have establishments or premises in China, and for those have establishments or premises in China but whose income is not related to such establishments or premises, under the EIT Law, dividends paid by us and gains realized by such foreign enterprises upon the sale or other disposition of H Shares are ordinarily subject to PRC enterprise income tax at a 20% rate. In accordance with the Circular on Issues Relating to the Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC Resident

Enterprise Shareholders of H Shares (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) issued by SAT, such tax rate has been reduced to 10%, subject to a further reduction under a special arrangement or applicable treaty between China and the jurisdiction of the residence of the relevant non-PRC resident enterprise.

Despite the arrangements mentioned above, there are uncertainties as to the interpretation and application of applicable PRC tax laws and regulations due to several factors, including whether the relevant preferential tax treatment will be revoked in the future such that all non-PRC resident individual holders will be subject to PRC individual income tax at a flat rate of 20%. In addition, there remain significant uncertainties as to the interpretation and application of applicable PRC tax laws and regulations by the competent tax authorities and the PRC tax laws and regulations may also change, which may materially affect the value of your investment in our H Shares.

RISKS RELATING TO THE GLOBAL OFFERING

An active trading market for our H Shares may not develop and the trading volume and market price of our H Shares may be volatile, which could result in substantial losses for investors who purchase our H Shares in the Global Offering.

Prior to the Global Offering, there was no public market for our H Shares. We cannot assure you that a public market for our H Shares with adequate liquidity and trading volume will develop and be sustained following the completion of Global Offering. In addition, the Offer Price of our H Shares is expected to be fixed by agreement between the Joint Representatives (on behalf of the Joint Bookrunners and the Underwriters) and us, and may not be an indication of the market price of our H Shares following the completion of the Global Offering. If an active public market for our H Shares does not develop following the completion of Global Offering, the market price and liquidity of our H Shares could be materially and adversely affected.

The price and trading volume of our H Shares may be highly volatile. Several factors, some of which are beyond our control, such as variations in our results of operations, changes in our pricing policy, the emergence of new technologies, strategic alliances or acquisitions, the addition or departure of key personnel, changes in profit forecast or recommendations by financial analysts, changes in ratings by credit rating agencies, litigation or the removal of the restrictions on H share transactions, could cause large and sudden changes to the volume and price at which our H Shares will trade.

In addition, the Hong Kong Stock Exchange and other securities markets have, from time to time, experienced significant price and volume volatility that is not related to the operating performance of any particular company.

Our Telecom Shareholders are able to exercise significant influence over us.

Following the completion of the Global Offering, China Mobile Company, China Unicom Corporation and China Telecom will continue to be our Substantial Shareholders. As a result, our Telecom Shareholders will have the ability to exercise significant influence over us, including, among other things, matters relating to:

- the nomination and election of our Directors and Supervisors;
- business strategies;
- dividend and other distributions; and
- major corporate activities, including securities offerings, mergers, acquisitions or investments.

See “*Relationship with CMCC*” and “*Substantial Shareholders.*”

In addition, our Telecom Shareholders are our principal customers from whom we generate substantially all of our revenue. Our Telecom Shareholders may have interests not consistent with that of our other Shareholders. See “*— Our business relies on the Big Three TSPs as customers.*” We cannot assure you our Telecom Shareholders will not prejudice the interests of ours or our other Shareholders’ by taking advantage of their position and their influence over us.

Potential conversion of Domestic Shares into H Shares may result in an increase in the number of H Shares available in the market, which in turn may affect the price of H Shares.

Subject to approval by the CSRC, Domestic Shares may be listed or traded on an overseas securities exchange. Any listing or trading of the above-mentioned Shares on an overseas securities exchange shall also comply with the regulatory procedures, rules and requirements of the relevant overseas securities exchange. Unless otherwise required by the overseas securities exchange, there is no requirement for the listing and trading of the above-mentioned Shares to be approved in a class shareholders meeting of our Company. For details, see “*Share Capital — Conversion of Domestic Shares into H Shares.*” Potential conversion of a substantial amount of Domestic Shares into H Shares could further increase the supply of H Shares in the market and could negatively impact the market price of H Shares.

Holders of the Offer Shares are subject to the risk that the price of the Offer Share could fall during a gap between the pricing and trading.

The Offer Price of the H Shares is expected to be determined on the Price Determination Date. However, our H Shares will not commence trading on the Hong Kong Stock Exchange until they are delivered, which is expected to be five Hong Kong business days after the pricing date. As a result, investors may not be able to sell or deal in our H Shares during that period. Accordingly, holders of our H Shares are subject to the risk that the price of our H Shares could fall before trading begins due to unfavorable market conditions or other adverse developments, that could occur between the time of the closing of application lists and the time of trading begins.

Future sales or perceived sales of a substantial number of our H Shares (or our future offerings) in public markets could cause the prevailing market price of our H Shares to decrease significantly, affecting our ability to raise capital, and our future offerings may dilute the shareholdings of our H Share shareholders.

The market price of our H Shares could decline as a result of future sales of a substantial number of our H shares or other securities relating to our H shares in the public market, or the perception that such sales may occur. Future sales, or anticipated sales, of substantial amounts of our securities could also materially and adversely affect our ability to raise capital at a specific time and on terms favorable to us. In addition, any of our future offerings of securities may dilute the shareholdings of our H Share shareholders.

If the accounting estimates we make, and the assumptions on which we rely, in preparing our financial statements prove inaccurate, our actual results may be adversely affected.

Our financial statements have been prepared in accordance with the IFRSs. The preparation of these financial statements requires us to make estimates and judgments about, among other things, taxation, impairment of property, plant and equipment, estimated useful life of property, plant and equipment, and classification of leases. These estimates and judgments affect, among other things, the reported amounts of our assets, liabilities, revenue and expenses. We base our estimates and judgments on historical experience, expectations of further events and other factors that we believe to be reasonable under the circumstances and at the time they are made and we evaluate our estimates on an ongoing basis. Actual results may differ from these estimates due to uncertainty involved in measuring, at a specific point in time, events which are continuous in nature, and differences may be material. If our estimates or the assumptions underlying them are not correct, actual results may differ materially from our estimates and we may incur additional charges that could adversely affect our results of operations, which in turn could adversely affect our H Share price. In addition, new accounting pronouncements and interpretations of accounting pronouncements have occurred and may occur in the future that could adversely affect our reported financial results. Our critical accounting estimates and judgements are discussed in Note 4 of the financial information included in the Accountant's Report set out in Appendix I to this prospectus.

As the Offer Price of our H Shares is higher than our net tangible assets book value per share, purchasers of our H Shares in the Global Offering may experience immediate dilution upon such purchases.

As the Offer Price of our H Shares is higher than the net tangible assets per share immediately prior to the Global Offering, purchasers of our H Shares in the Global Offering will experience an immediate dilution in pro forma adjusted net tangible assets of HK$1.22 per H Share (assuming an Offer Price of HK$1.42 per H Share, being the mid-point of the stated Offer Price range, and assuming the Over-allotment Option for the Global Offering is not exercised). Our existing Shareholders will receive an increase in the pro forma adjusted net tangible asset value per share of their shares. In addition, holders of our H Shares may experience further dilution of their interest if the Underwriters exercise the Over-allotment Option or if we issue additional shares in the future to raise additional capital.

Waivers were granted from compliance with certain requirements of the Hong Kong Listing Rules by the Hong Kong Stock Exchange. Shareholders will not have the benefit of the Hong Kong Listing Rules that are so waived. These waivers could be revoked, exposing us and our Shareholders to additional legal and compliance obligations.

We have applied for, and the Hong Kong Stock Exchange has granted to us, a number of waivers from strict compliance with certain requirements of the Hong Kong Listing Rules. See "*Waivers and Consent under the Hong Kong Listing Rules*" for further details. We cannot assure you that the Hong Kong Stock Exchange will not revoke any of these waivers granted or impose certain conditions on any of these waivers. If any of these waivers were to be revoked or to be subject to certain conditions, we may be subject to additional compliance obligations, incur additional compliance costs, and face uncertainties arising from issues of multi-jurisdictional compliance, all of which could materially and adversely affect us and our Shareholders.

Our dividend distribution history may not be indicative of our dividend policy in the future.

During the Track Record Period, we did not declare or distribute any dividend. Our ability to pay dividends will depend on whether we are able to generate sufficient earnings. Distribution of dividends shall be decided by our Board of Directors at their discretion and will be subject to our Shareholders' approval. A decision to declare or to pay dividends and the amount thereof depend on various factors, including but not limited to our results of operations, cash flows and financial position, operating and capital expenditure requirements, distributable profits as determined under PRC GAAP or IFRS (whichever is lower), our Articles of Association and other constitutional documents, the PRC Company Law and any other applicable PRC laws and regulations, market conditions, our strategy and projection for our business, contractual restrictions and obligations, taxation, regulatory restrictions and any other factors from time to time deemed by our Board of Directors as relevant to the declaration or suspension of dividends. As a result, there can be no assurance whether, when and in what form we will pay dividends in the future. Subject to any of the above constraints, we may not be able to pay dividends in accordance with our dividend policy. See "*Financial Information — Dividend.*"

Our H Shares may be subject to cancelation or disciplinary proceedings if there is a breach by us of the Hong Kong Listing Rules or any undertakings which may have been given in favor of the Hong Kong Stock Exchange.

Upon the Listing, we will be required to comply with applicable laws and regulations in Hong Kong (including the Hong Kong Listing Rules) and any other undertakings which have been given in favor of the Hong Kong Stock Exchange from time to time. If the Listing Committee finds that there has been a breach by us of, or any circumstance which causes us to breach, the Hong Kong Listing Rules or such other undertakings which may have been given in favor of the Hong Kong Stock Exchange from time to time, the Listing Committee may instigate cancelation or disciplinary proceedings in accordance with the Hong Kong Listing Rules.

There can be no assurance of the accuracy or completeness of certain facts, forecasts and other statistics obtained from various government publications, market data providers and other Independent Third Party sources contained in this prospectus.

This prospectus, particularly the section headed "Industry Overview," contains information and statistics relating to the telecommunications tower infrastructure industry. Such information and statistics have been derived from third-party reports commissioned by us, various government publications and other publicly available sources. We believe that the sources of the information are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. However, we cannot guarantee the quality or reliability of such materials. The information has not been independently verified by us, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any other party involved in the Global Offering, and no representation is given as to its accuracy. Collection methods of such information may be flawed or ineffective, or there may be discrepancies between published information and market practice, which may result in the statistics included in this prospectus being inaccurate or not comparable to statistics produced for other economies. You should therefore not place undue reliance on such information. In addition, we cannot assure you that such information is accurate or stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. Some industry projections, such as the market size of the PRC telecommunications tower infrastructure industry and the industry tenancy ratio in 2022, may not by accurate. In any event, you should consider carefully the importance placed on such information or statistics.

You should not place any reliance on any information released by us in connection with the listing of our asset-backed notes.

We issued asset-backed notes in China Interbank Bond Market in 2016 and make information disclosure in connection therewith. However, the information announced by us in connection with the issuance was based on the regulatory requirements of the securities authorities and market practices in the PRC which are different from those applicable to the Global Offering. Such information does not and will not form a part of this prospectus. As a result, prospective investors in our H Shares are reminded that, in making their investment decisions as to whether to purchase our H Shares, they should rely only on the financial, operating and other information included in this prospectus and the Application Forms. By applying to purchase our H Shares in the Global Offering, you will be deemed to have agreed that you will not rely on any information other than that contained in this prospectus, the Application Forms and any formal announcements made by us in Hong Kong with respect to the Global Offering.

You should read the entire prospectus carefully, and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding ourselves and the Global Offering.

Prior to the publication of this prospectus, there had been press and media coverage regarding us and the Global Offering, which contained, among other things, certain financial information, projections, valuations and other forward-looking information about us and the Global Offering. We have not authorized the disclosure of any such information in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this prospectus, we disclaim responsibility for them. Accordingly, prospective investors in our H Shares are cautioned to make their investment decisions on the basis of the information contained in this prospectus only, and should not rely on any other information.

In preparation for the Global Offering, we have applied to the Hong Kong Stock Exchange for the following waivers from strict compliance with the relevant provisions of and consent under the Hong Kong Listing Rules.

SHORTER TRADING RECORD PERIOD

Pursuant to Rule 8.05 of the Hong Kong Listing Rules, a new applicant must satisfy either the profit test in Rule 8.05(1) or the market capitalization/revenue/cash flow test in Rule 8.05(2) or the market capitalization/revenue test in Rule 8.05(3). Each test requires (i) a trading record of not less than three financial years (e.g., Rule 8.05(3)(a)), and (ii) management continuity for at least the three preceding financial years (e.g., Rule 8.05(3)(b)).

Pursuant to Rule 8.05A of the Hong Kong Listing Rules, in the case of the market capitalization/revenue test under Rule 8.05(3), the Hong Kong Stock Exchange will accept a shorter trading record period under substantially the same management as required under Rule 8.05(3)(a) and 8.05(3)(b) if the new applicant is able to demonstrate to the Hong Kong Stock Exchange the satisfaction of the following:

(i) the directors and management of the new applicant have sufficient and satisfactory experience of at least three years in the line of business and industry of the new applicant. Details of such experience must be disclosed in the listing document of the new listing applicant; and

(ii) management continuity for the most recent audited financial year.

The Company was incorporated in July 2014 and only substantively commenced commercial operations after October 2015. As a result, the Company is not able to satisfy the trading record requirement of at least three financial years under Rule 8.05(3) of the Hong Kong Listing Rules.

Accordingly, pursuant to Rule 8.05A of the Hong Kong Listing Rules, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rule 8.05(3) of the Hong Kong Listing Rules on the following basis that:

(i) the executive Director and senior management of the Company have sufficient and satisfactory experience of at least three years in the line of business and industry of the Company;

(ii) the Company has satisfied management continuity of the most recent audited financial year; and

(iii) the Company has satisfied the other requirements set out in Rule 8.05(3) of the Hong Kong Listing Rules, namely, ownership continuity and control requirement, market capitalization requirement and revenue requirement.

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 and Rule 19A.15 of the Hong Kong Listing Rules, a new applicant must have sufficient management presence in Hong Kong. This would normally mean that at least two of the applicant's executive directors must be ordinarily resident in Hong Kong.

The Company's business operations are all located in the PRC and all of the Company's assets are located in the PRC. The Company's executive Director is based in the PRC as the Board believes it is more effective and efficient for its executive Director to be based in a location where the Company's operations are located. The Company therefore does not, and in the foreseeable future will not, have a management presence in Hong Kong.

Accordingly, pursuant to Rule 19A.15 of the Hong Kong Listing Rules, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rule 8.12 and Rule 19A.15 of the Hong Kong Listing Rules, provided that the Company will implement the following arrangements:

(i) we have appointed Mr. Tong Jilu and Ms. Chu Ka Yee as our authorized representatives for the purposes of Rule 3.05 of the Hong Kong Listing Rules. They will serve as the principal channel of communication with the Hong Kong Stock Exchange on behalf of the Company and make themselves readily available to communicate with the Hong Kong Stock Exchange. Both Mr. Tong Jilu and Ms. Chu Ka Yee are readily available for meetings with the Hong Kong Stock Exchange in person (if necessary) and will be readily contactable by the Hong Kong Stock Exchange to deal with inquiries from the Hong Kong Stock Exchange from time to time.

(ii) all the Directors who are not ordinarily resident in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and can meet with the Hong Kong Stock Exchange within a reasonable period. In addition, each Director has provided his contact details, such as mobile phone numbers, office phone numbers, residential phone numbers, email addresses and fax numbers, to our authorized representatives and to the Hong Kong Stock Exchange. In the event that a Director expects to travel and be out of office, he will provide the phone number of the place of his accommodation or other contact details to our authorized representatives, which would ensure that each of our authorized representatives would have the means to contact all the Directors (including the independent non-executive Directors) promptly at all times as and when the Hong Kong Stock Exchange wishes to contact the Directors.

(iii) we have appointed China International Capital Corporation Hong Kong Securities Limited as our compliance adviser in accordance with Rule 3A.19 of the Hong Kong Listing Rules, who will serve as an alternative channel of communication with the Hong Kong Stock Exchange in addition to our authorized representatives. Our compliance adviser will have access, at all times during the term of its appointment, to our authorized representatives, Directors and members of the senior management. The contact persons of our compliance adviser will be readily available to communicate between the Hong Kong Stock Exchange and the Company and to answer inquiries from the Hong Kong Stock Exchange.

CONTINUING CONNECTED TRANSACTIONS

Pursuant to Chapter 14A of the Hong Kong Listing Rules, a new applicant must, after listing, comply with the announcement, circular and shareholders' approval requirements (as applicable) for continuing connected transactions entered into by the new applicant or its subsidiaries.

The Company has conducted, and is expected to continue after the Listing Date, certain connected transactions with the Telecom Shareholders and the Telecom Group Companies, respectively, which will constitute continuing connected transactions of the Company under the Hong Kong Listing Rules upon the Listing.

Accordingly, pursuant to Rule 14A.105 of the Hong Kong Listing Rules, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with certain requirements under Chapter 14A of the Hong Kong Listing Rules. See "*Connected Transactions*."

PUBLIC FLOAT

Rule 8.08(1)(a) of the Hong Kong Listing Rules requires that there shall be an open market for the securities for which listing is sought, and that a sufficient public float of an issuer's listed securities shall be maintained. This normally means that at least 25% of the issuer's total issued share capital must at all times be held by the public. Pursuant to Rule 8.08(1)(d) of the Hong Kong Listing Rules, the Hong Kong Stock Exchange may, subject to certain conditions and at its discretion, accept a lower percentage of between 15% and 25% in the case of issuers with an expected market capitalization at the time of listing of over HK$10 billion.

Based on the minimum Offer Price and assuming no exercise of the Over-allotment Option, we expect that our market capitalization will be well over HK$10 billion at the time of Listing.

Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the requirements of Rule 8.08(1)(a) of the Hong Kong Listing Rules. Therefore, our minimum public float shall be the higher of:

(i) the public float of the Company immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised) (i.e. 24.99997%);

(ii) such percentage of H Shares to be held by the public immediately after the completion of the Global Offering (as increased by the H Shares to be issued upon any exercise of the Over-allotment Option), provided that the higher of (i) and (ii) above is below the minimum public requirement of 25% under Rule 8.08(1) of the Hong Kong Listing Rules.

In order to support the application of this waiver, we have confirmed to the Hong Kong Stock Exchange that:

(i) we will have an expected market capitalization at the time of Listing of over HK$10 billion;

(ii) the quantity and scale of the H Shares would enable the market to operate properly with a lower percentage of public float;

(iii) we will make appropriate disclosure of the lower percentage of public float as approved by the Hong Kong Stock Exchange in this prospectus;

(iv) we will implement appropriate measures and mechanisms to ensure continual maintenance of the minimum percentage of public float; and

(v) we will confirm sufficiency of public float in our successive annual reports after the Listing.

CLAWBACK MECHANISM

Paragraph 4.2 of Practice Note 18 of the Hong Kong Listing Rules requires a clawback mechanism to be put in place, which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of the Offer Shares offered in the Global Offering if certain prescribed total demand levels are reached.

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with paragraph 4.2 of Practice Note 18 of the Hong Kong Listing Rules such that, provided the initial allocation of H Shares under the Hong Kong Public Offering shall not be less than 5% of the Global Offering, in the event of over-subscription, the Joint Representatives shall apply a clawback mechanism following the closing of the application lists on the following basis:

(i) if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times of the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 3,233,612,000 H Shares, representing 7.5% of the Offer Shares initially available under the Global Offering;

(ii) if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times of the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 4,311,480,000 H Shares, representing 10% of the Offer Shares initially available under the Global Offering; and

(iii) if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more of the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 8,622,960,000 H Shares, representing 20% of the Offer Shares initially available under the Global Offering.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Representatives deem appropriate. In addition, the Joint Representatives may allocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed, the Joint Representatives have the authority to reallocate all or any unsubscribed Hong Kong Public Shares to the International Offering, in such proportions as the Joint Representatives deem appropriate.

See "*Structure of the Global Offering — The Hong Kong Public Offering — Reallocation*."

PROPOSED H SHARE SUBSCRIPTION BY ICBC AM

Paragraph 5(1) of Appendix 6 to the Hong Kong Listing Rules provides that, unless with the prior written consent of the Hong Kong Stock Exchange, no allocations will be permitted to "connected clients" of the lead broker or of any distributors.

Paragraph 13(7) of the Appendix 6 states that "connected client" in relation to an exchange participant means any client which is a member of the same group of companies as such exchange participant.

Each of ICBC International Capital Limited ("**ICBCI Capital**") and ICBC International Securities Limited ("**ICBCI Securities**") is a subsidiary of Industrial and Commercial Bank of China Limited. 中國工商銀行股份有限公司-理財計劃代理人 (ICBC Asset Management Scheme Nominee) ("**ICBC AM**") is the asset management arm of Industrial and Commercial Bank of China Limited. Subject to the PRC laws and regulations, ICBC AM may subscribe for the H Shares of the Company directly or through one or more qualified domestic institutional investor(s). As a result, ICBC AM is a connected client of ICBCI Capital and ICBCI Securities.

ICBCI Capital has been appointed by the Company as one of the Joint Bookrunners of the Global Offering, while ICBCI Securities has been appointed by the Company as one of the Joint Lead Managers and Underwriters of the Global Offering.

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted to us, its consent under paragraph 5(1) of Appendix 6 to the Hong Kong Listing Rules to permit ICBC AM to participate in the Global Offering as a cornerstone investor subject to the following conditions:

1. any H Shares to be allocated to ICBC AM will be held for, and on behalf of, independent third parties;

2. the cornerstone investment agreement entered with ICBC AM does not contain any material terms which are more favourable to ICBC AM than those in other cornerstone investment agreements;

3. neither ICBCI Capital nor ICBCI Securities participated in the decision-making process or relevant discussion among the Company, the Joint Bookrunners and the Underwriters as to whether ICBC AM will be selected as a cornerstone investor;

4. no preferential treatment has been, nor will be, given to ICBC AM by virtue of its relationship with ICBCI Capital and ICBCI Securities other than the preferential treatment of assured entitlement under a cornerstone investment following principles set out in HKEX-GL-51-13;

5. each of the Company, the Joint Sponsors, the Joint Bookrunners, ICBCI Securities and ICBC AM has provided the Hong Kong Stock Exchange a written confirmation in accordance with HKEX-GL85-16; and

6. details of the allocation has been / will be disclosed in the prospectus and the allotment results announcement.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving our information to the public with regard to the Company. Our Directors, having made all reasonable enquiries confirm that, to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement in this prospectus misleading or deceptive.

CSRC APPROVAL

The CSRC issued an approval letter on June 25, 2018 for our Global Offering and application to list the H Shares on the Hong Kong Stock Exchange. In granting such approval, neither the CSRC accepts any responsibility for our financial soundness, nor does it accept any responsibility for the accuracy of any of the statements made or opinions expressed in this prospectus or in the Application Forms. No other approvals are required to be obtained for the listing of the H Shares on the Hong Kong Stock Exchange.

THE HONG KONG PUBLIC OFFERING AND THIS PROSPECTUS

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the H Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of such information.

For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms, and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by the Company, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisors or any other party involved in the Global Offering.

OFFER SHARES FULLY UNDERWRITTEN

The listing of our H Shares on the Hong Kong Stock Exchange is sponsored by the Joint Sponsors. The Global Offering is managed by the Joint Global Coordinators. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters listed in the section headed "Underwriting" and is subject to the Hong Kong Underwriting Agreement between, among others, the Joint Representatives (on behalf of the Joint Bookrunners in relation to the Hong Kong Public Offering and the Hong Kong Underwriters) and the Offer Price to be agreed on the Price Determination Date. The International Offering is expected to be fully underwritten by the International Underwriters.

If, for any reason, the Offer Price is not agreed between the Joint Representatives (on behalf of the Joint Bookrunners and the Underwriters) and us on or before August 7, 2018, the Global Offering will lapse. For full information about the Underwriters and the underwriting arrangements, see "*Underwriting*".

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedures for applying for Hong Kong Offer Shares are set out in the section headed "How to Apply for the Hong Kong Offer Shares" in this prospectus and on the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus.

OVER-ALLOTMENT OPTION AND STABILIZATION

In connection with the Global Offering, the Stabilizing Manager or its affiliates or any person acting for them may over-allocate H Shares or effect any other transactions with a view to stabilizing and maintaining the market price of the Offer Shares at a level higher than which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilizing Manager or its affiliates or any person acting for them to conduct any such stabilizing action.

In connection with the Global Offering, the Company is expected to grant to the International Underwriters the Over-allotment Option, which is exercisable in full or in part by the Joint Representatives (on behalf of the International Underwriters) no later than 30 days after the last day for lodging applications under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, the Company may be required to issue at the Offer Price up to an aggregate of additional 6,467,220,000 H Shares, representing approximately 15% of the total number of H Shares initially available under the Global Offering.

Details of the arrangements relating to the Over-allotment Option and stabilization are set out in the section headed "Structure of the Global Offering" in this prospectus.

RESTRICTIONS ON OFFER AND SALE OF H SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his/her/its acquisition of the Hong Kong Offer Shares to, confirm that he/she/it is aware of the restrictions on offers and sales of the Hong Kong Offer Shares described in this prospectus and the Application Forms.

No action has been taken to permit a public offering of the H Shares in any jurisdiction other than Hong Kong, or the distribution of this prospectus and/or the Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus and/or the Application Forms may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and/or the Application Forms and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been publicly offered or sold, directly or indirectly, in the PRC or the United States.

APPLICATION FOR LISTING OF THE H SHARES ON THE HONG KONG STOCK EXCHANGE

We have applied to the Listing Committee for the granting of listing of, and permission to deal in, our H Shares to be issued pursuant to the Global Offering (including any additional H Shares which may be issued pursuant to the exercise of the Over-allotment Option).

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, if the permission for the H Shares to be listed on the Hong Kong Stock Exchange pursuant to this prospectus has been refused before the expiration of three weeks from the date of the closing of the Global Offering or such longer period not exceeding six weeks as may, within the said three weeks, be notified to us by or on behalf of the Hong Kong Stock Exchange, then any allotment made on an application in pursuance of this prospectus shall, whenever made, be void.

Dealings in the H Shares on the Hong Kong Stock Exchange are expected to commence at 9:00 a.m. on August 8, 2018. Except for our application to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the H Shares, no part of our share or loan capital is listed on or dealt in on the Hong Kong Stock Exchange or any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

H SHARE REGISTER AND STAMP DUTY

All of the H Shares issued pursuant to applications made in the Global Offering will be registered on the H Share register of members of the Company maintained by our H Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong. Our register of members will also be maintained by us at our legal address in the PRC.

Dealings in the H Shares registered on the H Share register of members of the Company in Hong Kong will be subject to Hong Kong stamp duty. The stamp duty is charged to each of the seller and purchaser at the ad valorem rate of 0.1% of the consideration for, or (if greater) the value of, the H Shares transferred. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of the H Shares. In addition, a fixed duty of HK$5 is charged on each instrument of transfer (if required).

Unless determined otherwise by the Company, dividends payable in respect of our H Shares will be paid to the Shareholders listed on the H Share register of members of the Company in Hong Kong, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder of the Company.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

We have instructed the H Share Registrar, and the H Share Registrar has agreed, not to register the subscription, purchase or transfer of any H Shares in the name of any particular holder unless the holder delivers a signed form to the H Share Registrar in respect of those H Shares bearing statements to the effect that the holder:

(i) agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the PRC Company Law, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Special Regulations and our Articles of Association;

(ii) agrees with us, each of our Shareholders, Directors, Supervisors, managers and officers, and we, acting for ourselves and for each of our Directors, Supervisors, managers and officers agree with each Shareholder, to refer all differences and claims arising from our Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning our affairs to arbitration in accordance with our Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award, which shall be final and conclusive;

(iii) agrees with us and each of our Shareholders that our H Shares are freely transferable by the H Shares holders thereof; and

(iv) authorizes us to enter into a contract on his/her/its behalf with each of our Directors, Supervisors, managers and officers whereby such Directors, Supervisors, managers and officers undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles of Association.

H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the H Shares on the Hong Kong Stock Exchange and our compliance with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangements as such arrangements may affect their rights and interests. All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors as to the taxation implications of subscribing for, purchasing, holding or disposal of, and/or dealing in the H Shares or exercising rights attached to them. None of us, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, agents or representatives or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding, disposition of, or dealing in, or the exercise of any rights in relation to, the H Shares.

EXCHANGE RATE CONVERSION

Unless otherwise specified, amounts denominated in Renminbi and U.S. dollars have been converted, for the purpose of illustration only, into Hong Kong dollars in this prospectus at the following rates:

RMB0.85254 to HK$1.00 (being the prevailing exchange rate on July 18, 2018 set by the PBOC)

RMB6.6900 to US$1.00 (being the exchange rate on July 13, 2018 as set forth in the H.10 weekly statistical release of the Board of Governors of the Federal Reserve System of the United States)

HK$7.8486 to US$1.00 (being the exchange rate on July 13, 2018 as set forth in the H.10 weekly statistical release of the Board of Governors of the Federal Reserve System of the United States)

No representation is made that any amounts in Renminbi, Hong Kong dollars or U.S. dollars can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Provided, however, that translated English names of Chinese laws and regulations, governmental authorities, departments, entities (including our subsidiary), institutions, natural persons, facilities, certificates, titles and the like included in this prospectus and for which no official English translation exists are unofficial translations for identification purposes only. In the event of such inconsistency, the Chinese name prevails.

ROUNDING

Any discrepancies in any table or chart between totals and sums of amounts listed therein are due to rounding.

DIRECTORS

Executive Director

Name	Address	Nationality
Mr. Tong Jilu (佟吉祿)	Room 402, Unit 1, Building 6 Wanquan Xinxin Jiayuan Haidian District, Beijing PRC	Chinese

Non-executive Directors

Name	Address	Nationality
Mr. Dong Xin (董昕)	Room 1202, Floor 11, Unit 1, Building 4 28 Xinzhuang First Street Chaoyang District, Beijing PRC	Chinese
Mr. Shao Guanglu (邵廣祿)	Room 502, Unit 2, Building 5 No. 1 Yard of Lincui Road Chaoyang District, Beijing PRC	Chinese
Mr. Zhang Zhiyong (張志勇)	Room 402, Unit 1, Building 30 West Area of Guanyingyuan Xicheng District, Beijing PRC	Chinese

Independent Non-executive Directors

Name	Address	Nationality
Mr. Su Li (蘇力)	Room 1, Floor 1, Unit 2 Building 1 37 Yuetan South Road Xicheng District, Beijing PRC	Chinese
Mr. Fan Cheng (樊澄)	Room 1608, Building 10 Block 2, Anzhen Li Chaoyang District, Beijing PRC	Chinese
Mr. Tse Yung Hoi (謝湧海)	Flat G, 25/F Pine Mansion Taikoo Shing 26 Tai Koo Wan Road Hong Kong	Chinese

SUPERVISORS

Name	Address	Nationality
Mr. Li Wenmin (李文民)	Room 506, Unit 2, Building 3 10 Hongju Road Xicheng District, Beijing PRC	Chinese
Ms. Gao Lingling (高玲玲)	Room 902, Unit 1, Building 3 10 Youanmen Inner Street Xicheng District, Beijing PRC	Chinese
Ms. Guo Xiaolin (郭小林)	Room 1318, Floor 11, Building A Block 2, Sanlihe Xicheng District, Beijing PRC	Chinese
Mr. Sui Yixun (隋以勛)	Room 5D, Unit 5, Building 3 Shiji Qingxue Yuan Haidian District, Beijing PRC	Chinese
Mr. Wang Zhixue (王志學)	Room 1110, Building 306 Datun Li Chaoyang District, Beijing PRC	Chinese
Mr. Wang Hongwei (王宏偉)	Room 201, Unit 5, Building 1 A34 Zengguang Road Haidian District, Beijing PRC	Chinese

See “*Directors, Supervisors and Senior Management*” for more information on the Directors and Supervisors.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors	**China International Capital Corporation Hong Kong Securities Limited** 29th Floor, One International Finance Centre 1 Harbour View Street Central Hong Kong
	Goldman Sachs (Asia) L.L.C. 68/F, Cheung Kong Center 2 Queen's Road Central Central Hong Kong
Joint Representatives	**China International Capital Corporation Hong Kong Securities Limited** 29th Floor, One International Finance Centre 1 Harbour View Street Central Hong Kong
	Goldman Sachs (Asia) L.L.C. 68/F, Cheung Kong Center 2 Queen's Road Central Central Hong Kong
Joint Global Coordinators	**China International Capital Corporation Hong Kong Securities Limited** 29th Floor, One International Finance Centre 1 Harbour View Street Central Hong Kong
	Goldman Sachs (Asia) L.L.C. 68/F, Cheung Kong Centre 2 Queen's Road Central Central Hong Kong
	Merrill Lynch (Asia Pacific) Limited 55/F, Cheung Kong Centre 2 Queen's Road Central Central Hong Kong

	J.P. Morgan Securities (Asia Pacific) Limited 28/F, Chater House 8 Connaught Road Central Central Hong Kong
Joint Bookrunners	**China International Capital Corporation Hong Kong Securities Limited** 29th Floor, One International Finance Centre 1 Harbour View Street Central Hong Kong
	Goldman Sachs (Asia) L.L.C. 68/F, Cheung Kong Centre 2 Queen's Road Central Central Hong Kong
	Merrill Lynch (Asia Pacific) Limited 55/F, Cheung Kong Centre 2 Queen's Road Central Central Hong Kong
	J.P. Morgan Securities (Asia Pacific) Limited (in relation to the Hong Kong Public Offering only) 28/F, Chater House 8 Connaught Road Central Central Hong Kong
	J.P. Morgan Securities plc (in relation to the International Offering only) 25 Bank Street Canary Wharf London E14 5JP United Kingdom
	(in alphabetical order as follows)
	ABCI Capital Limited 11/F, Agricultural Bank of China Tower 50 Connaught Road Central Hong Kong

BNP Paribas Securities (Asia) Limited
59/F to 63/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

BOCI Asia Limited
26/F, Bank of China Tower
1 Garden Road
Central
Hong Kong

CCB International Capital Limited
12/F, CCB Tower
3 Connaught Road Central
Central
Hong Kong

China Merchants Securities (HK) Co., Limited
48/F, One Exchange Square
Central
Hong Kong

China Securities (International) Corporate Finance Company Limited
18/F, Two Exchange Square
8 Connaught Place
Central
Hong Kong

CMB International Capital Limited
45/F, Champion Tower
3 Garden Road
Central
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
HSBC Main Building
1 Queen's Road Central
Hong Kong

ICBC International Capital Limited
37/F, ICBC Tower
3 Garden Road
Hong Kong

	Morgan Stanley Asia Limited (in relation to the Hong Kong Public Offering only) 46/F, International Commerce Centre 1 Austin Road West Kowloon Hong Kong
	Morgan Stanley & Co. International plc (in relation to the International Offering only) 25 Cabot Square Canary Wharf London E14 4QA United Kingdom
	UBS AG Hong Kong Branch 52/F, Two International Finance Centre 8 Finance Street Central Hong Kong
Joint Lead Managers	**China International Capital Corporation Hong Kong Securities Limited** 29th Floor, One International Finance Centre 1 Harbour View Street Central Hong Kong
	Goldman Sachs (Asia) L.L.C. 68/F, Cheung Kong Centre 2 Queen's Road Central Central Hong Kong
	Merrill Lynch (Asia Pacific) Limited 55/F, Cheung Kong Centre 2 Queen's Road Central Central Hong Kong
	J.P. Morgan Securities (Asia Pacific) Limited (in relation to the Hong Kong Public Offering only) 28/F, Chater House 8 Connaught Road Central Central Hong Kong

J.P. Morgan Securities plc
(in relation to the International Offering only)
25 Bank Street
Canary Wharf
London E14 5JP
United Kingdom

(in alphabetical order as follows)

ABCI Securities Company Limited
10/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

BNP Paribas Securities (Asia) Limited
59/F to 63/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

BOCI Asia Limited
26/F, Bank of China Tower
1 Garden Road
Central
Hong Kong

CCB International Capital Limited
12/F, CCB Tower
3 Connaught Road Central
Central
Hong Kong

China Merchants Securities (HK) Co., Limited
48/F, One Exchange Square
Central
Hong Kong

China Securities (International) Corporate Finance Company Limited
18/F, Two Exchange Square
8 Connaught Place
Central
Hong Kong

CMB International Capital Limited
45/F, Champion Tower
3 Garden Road
Central
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
HSBC Main Building
1 Queen's Road Central
Hong Kong

ICBC International Securities Limited
37/F, ICBC Tower
3 Garden Road
Hong Kong

Morgan Stanley Asia Limited
(in relation to the Hong Kong Public Offering only)
46/F, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Morgan Stanley & Co. International plc
(in relation to the International Offering only)
25 Cabot Square
Canary Wharf
London E14 4QA
United Kingdom

UBS AG Hong Kong Branch
52/F, Two International Finance Center
8 Finance Street
Central
Hong Kong

Legal Advisers to the Company

As to Hong Kong and United States law

Freshfields Bruckhaus Deringer
55/F, One Island East
Taikoo Place, Quarry Bay
Hong Kong

	As to PRC law **King & Wood Mallesons** 20th Floor, East Tower, World Financial Center 1 Dongsanhuan Zhonglu Chaoyang District Beijing, PRC
Legal Advisers to the Joint Sponsors and the Underwriters	*As to Hong Kong and United States law* **Clifford Chance** 27/F, Jardine House One Connaught Place Central, Hong Kong *As to PRC law* **Zhong Lun Law Firm** 36-37/F, SK Tower 6A Jianguomenwai Avenue Chaoyang District Beijing, PRC **Commerce & Finance Law Offices** 6/F NC1 Tower A12 Jianguomenwai Avenue Beijing, PRC
Reporting Accountant and Independent Auditor	**PricewaterhouseCoopers** *Certified Public Accountants* 22/F, Prince's Building Central, Hong Kong
Compliance Adviser	**China International Capital Corporation Hong Kong Securities Limited** 29th Floor, One International Finance Centre 1 Harbor View Street Central, Hong Kong
Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** 1018, Tower B 500 Yunjin Road Shanghai, PRC
Receiving Banks	**Bank of China (Hong Kong) Limited** 1 Garden Road Hong Kong

Industrial and Commercial Bank of China (Asia) Limited
33/F, ICBC Tower, 3 Garden Road
Central
Hong Kong

Wing Lung Bank Limited
16/F, Wing Lung Bank Building, 45 Des Voeux Road
Central
Hong Kong

Standard Chartered Bank (Hong Kong) Limited
15/F Standard Chartered Tower, 388 Kwun Tong Road
Hong Kong

Registered Office	19/F, No. 73, Fucheng Road Haidian District Beijing, PRC
Headquarters and Principal Place of Business in the PRC	19/F, No. 73, Fucheng Road Haidian District Beijing, PRC
Principal Place of Business in Hong Kong	Room 3401, 34/F China Resources Building 26 Harbour Road Wanchai, Hong Kong
Company's Website	www.china-tower.com *(This website and the information contained on this website do not form part of this prospectus)*
Company Secretary	Ms. Chu Ka Yee *(FCIS, FCS)* Room 3401, 34/F China Resources Building 26 Harbour Road Wanchai, Hong Kong
Authorized Representatives	Mr. Tong Jilu Room 402, Unit 1, Building 6 Wanquan Xinxin Jiayuan Haidian District, Beijing PRC Ms. Chu Ka Yee Room 3401, 34/F China Resources Building 26 Harbour Road Wanchai, Hong Kong
Strategy Committee	Mr. Tong Jilu *(Chairman)* Mr. Dong Xin Mr. Shao Guanglu Mr. Zhang Zhiyong Mr. Su Li
Remuneration and Appraisal Committee	Mr. Su Li *(Chairman)* Mr. Shao Guanglu Mr. Fan Cheng
Nomination Committee	Mr. Tong Jilu *(Chairman)* Mr. Dong Xin Mr. Su Li Mr. Fan Cheng Mr. Tse Yung Hoi

Audit Committee	Mr. Fan Cheng *(Chairman)* Mr. Zhang Zhiyong Mr. Tse Yung Hoi
Connected Transaction Committee	Mr. Tse Yung Hoi *(Chairman)* Mr. Tong Jilu Mr. Su Li Mr. Fan Cheng
H Share Registrar	**Computershare Hong Kong Investor Services Limited** Shops 1712-1716, 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong
Principal Bankers	**China Construction Bank Corporation, Beijing Anhui Branch** 1 & 2/F, Huixin Building B 8 Beicheng East Street Chaoyang District Beijing, PRC
	Bank of China Limited, Beijing BOC Tower Branch 1 Fuxingmennei Street Xicheng District Beijing, PRC
	Industrial and Commercial Bank of China Limited, Beijing Chang'an Branch 6B Xuannei Street Xicheng District Beijing, PRC
	Agricultural Bank of China Limited, Beijing Branch 13 Chaoyangmen North Street Dongcheng District Beijing, PRC
	China Merchants Bank Co., Ltd., Beijing Qingnian Road Branch 2/F, Building 15 No. 5 Yard, Qingnian Road XiLi Chaoyang District Beijing, PRC

China Development Bank Corporation, Corporate Section
16 Taipingqiao Street
Xicheng District
Beijing, PRC

Certain facts and statistics presented in this section and elsewhere in this prospectus have been derived, in part, from various publicly-available government and official sources, industry statistics and publications. We also commissioned an independent industry consultant, Frost & Sullivan, to prepare the F&S Report on the global and PRC telecommunications tower infrastructure markets for use in this prospectus. We have agreed to pay Frost & Sullivan a total fee of RMB880,000 for the preparation of the F&S Report.

Frost & Sullivan is a global consulting company. Frost & Sullivan's services include independent market research, economic research and other relevant consultancy services. The key assumptions made by Frost & Sullivan in preparing the F&S report include (i) the social, economic and political conditions in China and the world will remain stable during the forecast period; (ii) the industrial policies of the PRC government on the telecommunications tower infrastructure industry will remain unchanged during the forecast period; and (iii) the 5G technology will come into commercial operation in China in 2020 and the main frequency of China's 5G technology will be above 3.0 GHZ.

In preparing the F&S report, Frost & Sullivan has relied on the relevant information obtained through primary and secondary data research. Primary data research includes interviewing industry insiders, competitors, downstream clients and recognized third-party industry associations. Secondary data research includes reviewing corporate annual reports, databases of relevant official authorities, independent research reports and publications, and Frost & Sullivan's own database.

While we have taken all reasonable measures to ensure that the relevant facts and statistics are accurately reproduced from the sources, such information has not been independently verified by us or the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters or any other party involved in the Global Offering. Although we have no reason to believe that such information is false or misleading in any material respect, or that any fact has been omitted that would render such information false or misleading in any material respect, we also make no representation as to the accuracy or completeness of such information, which may not be consistent with other information available. Accordingly, you should not place undue reliance on such information.

The Directors confirm that, after making reasonable enquiries, there is no material adverse change in the market information since the date of the F&S Report which may qualify, contradict or have an impact on the information in this section.

OVERVIEW OF THE TELECOMMUNICATIONS TOWER INFRASTRUCTURE INDUSTRY

Overview of the Global Telecommunications Tower Infrastructure Industry

The telecommunications tower infrastructure industry refers to the market for the provision of site resources and relevant services by telecommunications tower infrastructure service providers to TSPs and other customers. TSPs require sites for installation of their telecommunications equipment in order to provide services to their wireless communications users. To alleviate the burden of capital expenditures and operating costs, TSPs are increasingly opting to spin off their sites and related assets or sell to telecommunications tower infrastructure service providers. According to the F&S Report, as of December 31, 2017, telecommunications tower infrastructure service providers in the PRC operated 1.94 million sites, more than any other major countries in the world. Currently in the telecommunications tower infrastructure industry, sites consist primarily of tower sites. According to the F&S Report, as of December 31, 2017, approximately 91.1% of the sites operated by telecommunications tower infrastructure service providers in the world were tower sites. Please see "*Business — Our Sites — Types of sites*" for details of site classification.

The following table sets out the data of key operating and financial performance indicators as of December 31, 2017 or in 2017 for us and certain listed telecommunications tower infrastructure service providers in the world, each of which owned more than 30,000 sites.

	The Company	American Tower Corporation	Crown Castle International Corp.(1)	Bharti Infratel Limited(2)
Number of sites ('000)	1,872	150	90	162
Total revenue (US$ million)	10,264	6,664	4,356	3,760
Number of TSP tenants ('000)	2,669	285	88	381
TSP tenancy ratio(3)	1.43	1.90	2.20	2.35
EBITDA margin	58.8%	61.4%	57.0%	43.3%

Notes:

(1) The number of TSP tenants and the TSP tenancy ratio of Crown Castle International Corp. only covered the TSP tenants of its macro cell business, as the number of TSP tenants of its other business was unavailable.

(2) The presented business and financial data were prepared on a pro forma basis, assuming the merge transactions between Bharti Infratel Limited and Indus Towers Limited as announced on April 25, 2018 were completed as of the Latest Practicable Date.

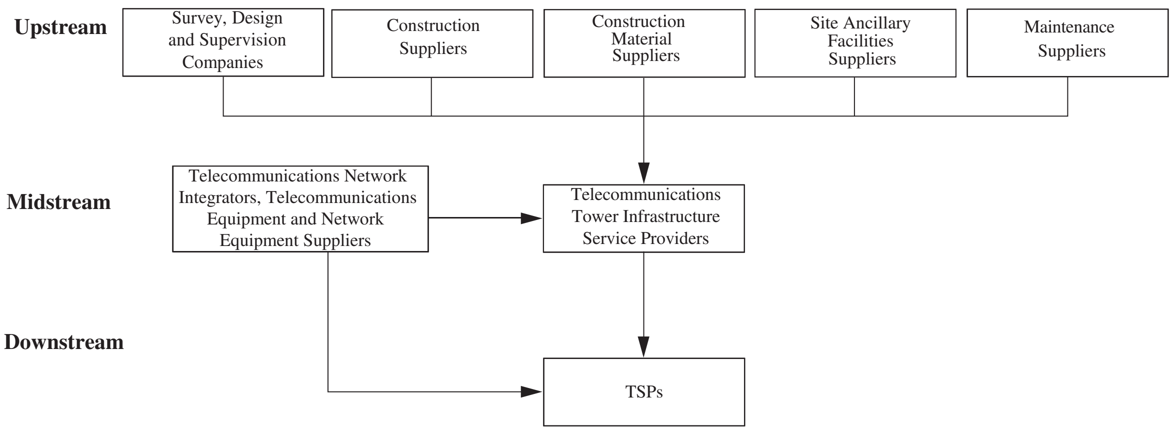
(3) Calculated by dividing the number of TSP tenants by the number of sites occupied by such tenants.

Source: F&S Report

According to the F&S Report, in and as of December 31, 2017, we ranked first among global telecommunications tower infrastructure service providers in terms of the number of sites, the number of tenants and revenue.

Industry Value Chain and Business Characteristics

The following diagram shows the roles of major participants in the value chain of the telecommunications tower infrastructure industry.



Compared to TSPs, telecommunications tower infrastructure service providers generally have more expertise in acquisition, construction and operation of sites. The telecommunications tower infrastructure business generally has the following features:

Stable business relationships with customers and high renewal rate. According to the F&S Report, in the global market, service contracts entered by major telecommunications tower infrastructure service providers with their TSP customers generally have terms ranging from five years to 15 years. The telecommunications tower infrastructure service business has a high renewal rate, primarily due to (i) the difficulties faced by customers in securing alternative sites, (ii) the additional costs and expenses to be incurred for replacing the occupied sites, and (iii) the potential impact on quality of network coverage during the relocation from the occupied sites.

Stable cash inflow. Substantially all of the revenue of telecommunications tower infrastructure service providers derives from regular service fees paid by customers pursuant to long-term contracts. In addition, the customers of telecommunications tower infrastructure service providers mainly are TSPs, who generally have strong creditworthiness and payment capacity.

Operating profit margin and operating cash flows improved by enhancing co-location level. A single site can be used to serve multiple tenants. The incremental operating revenue derived by the telecommunications tower infrastructure service provider is generally larger than the corresponding incremental operating expenses incurred from an additional tenant at the same site.

Gradual decline in capital expenditures for construction of new sites. Telecommunications tower infrastructure service providers primarily incur capital expenditures for the construction of new sites, while the amount of capital expenditures incurred on site maintenance and augmentation is relatively low. Upon the site coverage reaching a certain level, certain incremental demand from TSPs for sites can be met by co-location of existing sites. The demand for the construction of new sites will gradually decline, and the capital expenditures incurred by telecommunications tower infrastructure service providers for construction of new sites will decline accordingly.

OVERVIEW OF THE PRC TELECOMMUNICATIONS TOWER INFRASTRUCTURE INDUSTRY

Our Major Competitors in the PRC Telecommunications Tower Infrastructure Industry

According to the F&S Report, as of December 31, 2017, there were over 200 companies providing telecommunications tower infrastructure services and competing in the PRC telecommunications tower infrastructure industry, in which less than ten companies each owned more than 1,000 sites. The following table sets out the ranking of the top five participants in the PRC telecommunications tower infrastructure market as of December 31, 2017.

	Company	Number of sites	Revenue in 2017 (RMB million)	Market share in terms of revenue
1	The Company	1,872,154	68,665	97.25%
2	Company A	17,260	545	0.77%
3	Company B	4,200	72	0.10%
4	Company C	4,300	57	0.08%
5	Company D	1,900	27	0.04%

Source: F&S Report

According to the F&S Report, as of December 31, 2017, we possessed a substantial market share in the PRC telecommunications tower infrastructure market. In comparison with other participants in the PRC telecommunications tower infrastructure market, we have the largest site resources with a strategic site distribution, and possess comprehensive service capabilities for providing integrated services to customers. In addition, we benefit from a number of favorable government policies. Our position as the coordinator of the co-location of telecommunications tower infrastructure in the PRC was specified in the documents jointly issued by the MIIT and the SASAC, including Circular [2014] No. 586, Circular [2016] No. 142, Circular [2017] No.92 and Circular [2018] No. 82. As of the Latest Practicable Date, we entered into strategic cooperation agreements with 28 provincial governments in the PRC, under which we received various policy supports in relation to site planning, construction and protection and sharing of infrastructure resources. Please see "*Business — Competitive Strengths*" for details of our competitive strengths. Other companies providing telecommunications tower infrastructure services in the PRC market primarily participate in market competition by leveraging their site acquisition capabilities in particular regional markets. According to the F&S Report, in the foreseeable future, the competitive landscape of the PRC telecommunications tower infrastructure market is expected to remain stable.

The Historical Price Movement of Telecommunications Tower Infrastructure Service

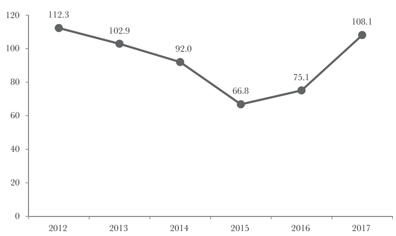
Prior to 2015, substantially all of the telecommunications tower infrastructure in the PRC market was constructed and operated by TSPs. The size of the PRC telecommunications tower infrastructure market was insignificant. According to the F&S Report, from 2015 to 2017, the average annual price per tenant in the PRC telecommunications tower infrastructure market increased from RMB25.3 thousand to RMB25.6 thousand without experiencing significant fluctuations.

The Historical Price Movement in Major Operating Expenses for Telecommunications Tower Infrastructure Service

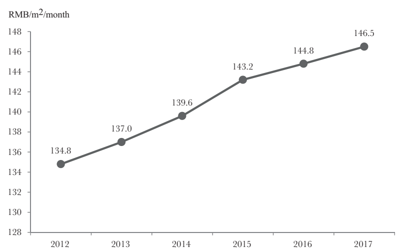
In the PRC market, the major operating expenses of telecommunications tower infrastructure service providers include depreciation and amortization, ground lease charges and maintenance expenses, of which (i) depreciation and amortization mainly originates from the towers and is therefore affected by steel prices; (ii) ground lease charges are mainly affected by the rental cost of ground space, the price movement of which can be indicated by the trend of the average rental of office buildings; and (iii) maintenance expenses are mainly affected by the salary level of the professional maintenance technicians, which is in line with the salary level of the professional technicians in the construction industry.

According to the F&S Report, the following diagrams set forth the relevant indicators which reflect the historical price movement of the major operating expenses of PRC telecommunications tower infrastructure service from 2012 to 2017.

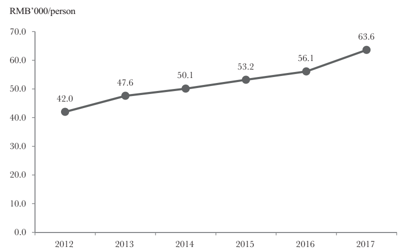
Composite Steel Price Index of the PRC from 2012 to 2017(1)



Average Rental of Office Buildings in Major Cities of the PRC from 2012 to 2017(2)



Average Annual Salaries of Professional Technicians in the Construction Industry in the PRC from 2012 to 2017



Notes:

(1) The weighted average price in April 1994 was adopted as the index of 100.

(2) Since various types of ground space are used for site construction and not all sites are constructed in the districts of office building, the trend of the average rental of office buildings only serves as an indicator of the historical movement of the rental costs of ground space.

Source: F&S Report

From 2012 to 2017, except for steel prices, there was no significant fluctuation in the relevant indicators which reflect the historical prices of major operating expenses of telecommunications tower infrastructure services. Since most upstream suppliers operate in a highly competitive market with numerous participants, telecommunications tower infrastructure service providers commonly have more bargaining power, which can be leveraged against the effects of increases in market prices of raw materials. In addition, according to the F&S Report, during the period from 2012 to 2017, in the PRC market, the average price level of steel, the average rental level of office buildings and the average salary level of professional technician in the construction industry were constantly lower than the average levels in developed economies globally.

Capital Expenditure Plans in respect of the Number and Type of Sites subject to Demands from TSP Customers

In the PRC market, the operations and business expansions of telecommunications tower infrastructure service providers are primarily driven by demands from their TSP customers. A telecommunications tower infrastructure service provider commonly decides and adjusts the number and type of sites to be constructed or augmented pursuant to the specific demands made by its TSP customers during the course of their daily operations. The exact number and type of sites are also subject to adjustment as part of the demand undertaking process. A telecommunications tower infrastructure service provider may address the TSPs' demands through different approaches, including augmenting the existing sites for co-location and building new sites. Therefore, in the PRC market, telecommunications tower infrastructure service providers, particularly those with large operations and extensive site distributions, may not be able to estimate the number and type of sites to be constructed or augmented, or the detailed capital expenditures to be incurred by number and type of sites for a period of time in the future at a reasonably accurate level.

Market Barriers

The market barriers for entering the PRC telecommunications tower infrastructure market and achieving scalable business mainly include: (i) difficulties in acquiring and constructing sufficient number of sites as substantial site resources have already been occupied and provided to TSPs by the existing telecommunications tower infrastructure service providers in the market, and the costs for relocation of base stations by TSPs are relatively high; (ii) substantial capital expenditures and working capital required for the construction and operation of a large number of sites; (iii) site acquisition and site maintenance capabilities constrained and affected by factors such as policy, administration, geography, environment, population and practitioners' experiences; (iv) the capabilities, channels and opportunities required to qualify for TSPs' requirements and become a supplier to TSPs; (v) the opportunities to establish a long-term business relationship with TSPs; and (vi) comprehensive service capabilities for effectively operating and maintaining numerous and dispersed sites, and providing integrated services to customers.

THE SIZE AND DRIVERS OF THE PRC TELECOMMUNICATIONS TOWER INFRASTRUCTURE MARKET

According to the F&S Report, from 2017 to 2022, the size of the PRC telecommunications tower infrastructure market is expected to increase steadily from RMB70.6 billion to RMB109.1 billion, representing a CAGR of 9.1%. In addition, the number of tenants in the PRC telecommunications tower infrastructure market is expected to increase from 2.8 million in 2017 to 4.9 million in 2022, representing a CAGR of 11.9%, among which, the number of TSP tenants is expected to increase from 2.8 million in 2017 to 4.5 million in 2022, representing a CAGR of 10.2%.

We believe that the major drivers for the future growth of the PRC telecommunications tower infrastructure market include the following four factors.

Growth in the Number of Users and Data Traffic of Wireless Communications will Drive the Increase in Demand for Network Coverage

According to the F&S Report, from 2012 to 2017, the nominal GDP of the PRC increased from US$8,570.3 billion to US$11,937.6 billion, representing a CAGR of 6.9%, which is higher than any other major economy in the world. The significant economic growth in the PRC and national strategies drove the rapid growth in both consumption and investment in the PRC wireless communications market. The growth in the PRC wireless communications market was also driven by the growth in demand for mobile applications and wireless communications data traffic. In recent years, the demand for mobile applications, particularly for e-commerce, online games and video streaming services, has grown exponentially in the PRC, resulting in substantial growth in wireless communications data traffic in the PRC market. According to the F&S Report, the following table sets out the historical and forecast data of the relevant indicators in the PRC wireless communications industry.

	Unit	2012	2017	2018 (Estimate)	2019 (Estimate)	2020 (Estimate)	2021 (Estimate)	2022 (Estimate)	CAGR (2012-2017)	CAGR (2017-2022)
Numbers of wireless communications user	million	1,112.0	1,417.5	1,433.1	1,435.9	1,463.7	1,529.4	1,560.0	5.0%	1.9%
Wireless communications data traffic	billion GB	0.9	24.6	35.0	48.2	66.4	93.2	125.5	93.8%	38.5%
Average annual wireless communications data traffic per user	GB	0.8	17.4	24.4	33.6	45.4	60.9	80.5	85.5%	35.9%

Source: F&S Report

Compared to certain major wireless communications markets in the world, there is still growth potential in the penetration rate of wireless communications users and the consumption of data traffic in the PRC market. According to the F&S Report, the following table sets out certain relevant indicators of the PRC wireless communications market against certain major wireless communications markets in the world in and as of December 31, 2017.

	Penetration rate of wireless communications users	Penetration rate of 4G users	Average annual wireless communications data traffic per user (GB)
PRC	101.9%	71.7%	17.4
United States	130.4%	97.0%	69.4
Japan	130.9%	83.9%	58.1
South Korea	123.5%	96.7%	54.3

Source: F&S Report

According to the F&S Report, given the expected future growth in the coverage size of PRC wireless communications market, TSPs need to improve the range and the density of their base stations, which is expected to in turn boost the demand for telecommunications tower infrastructure services.

Coverage Range and Density of 4G Network can be Further Enhanced

Since the commercial operation of 4G network, it has gradually become the mainstream telecommunications network in the PRC market. Currently, the PRC government is encouraging the expansion of 4G network coverage, particularly in rural areas. In December 2016, the NDRC and the MIIT issued the Three-Year Action Plan for Construction of Substantial Information Infrastructures (《信息基礎設施重大工程建設三年行動方案》), which promotes the comprehensive and in-depth coverage of 4G network in towns and densely populated administrative villages.

In addition, the density of 4G base stations in the PRC market can be further enhanced. According to the F&S Report, even though the Big Three TSPs have largely completed the extensive coverage of their 4G network in the PRC, they still need to optimize the coverage of areas with a high demand for wireless communications services or weak signals.

According to the F&S Report, from 2014 to 2017, the number of 4G base stations in the PRC market increased from approximately 843 thousand units to approximately 3,280 thousand units, representing a CAGR of 57.3%. It is expected that the number of 4G base stations will further increase to approximately 4,529 thousand units in 2022, representing a CAGR of 6.7% from 2017 to 2022.

Development of New Technologies will Bring a New Round of Demand for Large-scale Network Build-out

The 5G network is expected to be put into commercial operation in the PRC market commencing from 2020, which will bring a new round of demand for large-scale network build-out by TSPs. According to the F&S Report, in the early stage of commercial operation of the 5G network, the 4G network and the 5G network will co-exist. TSPs may prefer to utilize tower sites which currently host macro cells for the installation of 5G base stations to provide basic coverage. As both the rate and the frequency increase, the transmission distance for 5G signals will reduce when compared with 4G signals. It is expected that the coverage radius for a single 5G base station will be substantially smaller than a 4G base station with the same power in the same environment. Therefore, TSPs will need a denser deployment of 5G base stations. To this end, other than improving the density of 5G macro cells, TSPs may also utilize small cells and DAS as supplement. According to the F&S Report, China is expected to invest a total amount of RMB1.2 trillion for 5G network build-out within the next five to 10 years. As of December 31, 2022, it is expected that the number of 5G base stations in the PRC market will be approximately 2,432 thousand units.

Site Co-location will Drive Accelerated Network Deployment of TSPs

In the PRC market, TSPs are capable of achieving network coverage and conducting business in a desired region in a cost-efficient and timely manner through co-location of the existing sites by taking advantage of co-location discount. Therefore, as the network coverage and base station density of the 4G network can be further enhanced and the commercial application of the 5G network will bring a new round of large-scale network build-out, site co-location helps TSPs deploy more base stations in a faster manner at the same level of expenditure, which in turn drive the growth in the size of the telecommunications tower infrastructure market.

According to the F&S Report, the TSP tenancy ratio (calculated by dividing the number of TSP tenants by the number of sites occupied by such tenants) in the PRC telecommunications tower infrastructure market increased from 1.23 as of December 31, 2015 to 1.42 as of December 31, 2017, and is expected to further increase to 1.62 as of December 31, 2022.

INDUSTRY DEVELOPMENT TRENDS

Sharing Being Further Diversified

"Sharing" is currently one of the leading industrial policies in the PRC telecommunications tower infrastructure industry. The PRC government has promulgated policies from time to time to encourage sharing of telecommunications tower infrastructure. Site co-location can help TSPs reduce the costs of occupying a site, and expand network coverage in shorter time. In addition, site co-location can also save resources required for site construction, including land and steel. With further expansion of the 4G network coverage and the application of the 5G network, especially the application of small cells, the deployment of base stations will be denser, and the demand for sharing will increase. Beyond providing tower and shelter space in a site to multiple tenants for co-location, services offered by telecommunications tower infrastructure service providers, including ancillary facilities, power access, ducts and pole lines, site acquisition service, maintenance service and construction service, are optional and can be packaged together, thereby further diversify the approach of sharing.

Furthermore, it is expected that the demand for site resources service and site-based information service from customers other than the Big Three TSPs will increase in the future. Site resources service and site-based information service may also be provided through sharing that would further enhance the co-location of sites. According to the F&S Report, as of December 31, 2017, the tenancy ratio (covering TSP tenants and tenants of site resources service and site-based information service) of the PRC telecommunications tower infrastructure market was 1.43, and is expected to increase to 1.72 as of December 31, 2022.

Site Acquisition Being Further Diversified

Due to the further expansion of the 4G network coverage and denser base station deployment in build-out the 5G network, customers' demands on the number and density of sites will increase, and the site acquisition capacity of the telecommunications tower infrastructure service providers will face higher requirements. According to the F&S Report, against the backdrop of the PRC government's implementation of the national strategy of building strength in cyberspace, the local governments are managing the sites in more standardized manners, while vigorously encouraging inclusion of sites into local urban-rural development planning. Major state-owned enterprises with extensive site distribution and comprehensive capabilities are the principal driving forces for inclusion of the demand for site grounds into local governments' planning.

Some telecommunications tower infrastructure service providers are actively utilizing the public utility tower and pole resources, such as lamp poles, traffic light poles and video surveillance poles, to mount the equipment of customers, which will assist telecommunications tower infrastructure service providers to ease the burden of site acquisition, reduce the capital expenditures required for constructing new sites and increase their operational efficiency. In particular, as the proportion of small cells in the 5G network build-out will increase, using the public utility towers and poles to mount 5G small cells will allow telecommunications tower infrastructure service providers to have a competitive advantage. According to the F&S Report, the public utility tower and pole resources in the PRC are public facilities and generally be considered to be open for use by state-owned enterprises or other qualified entities with priority. The telecommunications tower infrastructure service providers need to maintain favorable cooperations with the local governments in order to gain the opportunities to use the public utility tower and pole resources.

Business and Revenue Sources Being Further Diversified

Technologies such as IoT, big data and artificial intelligence have been developing rapidly in the PRC and led to a rapid growth in the demand for informatization in all industries. Leveraging their existing site resources and comprehensive solution capabilities, certain PRC telecommunications tower infrastructure service providers diversify their business lines and revenue sources by offering site resource services and information services to meet information technology buildup in many industries. Currently, telecommunications tower infrastructure service providers in the PRC primarily provide site resources service and site-based information service to customers other than the Big Three TSPs. The market covered by such services primarily include the government and enterprise private communications network market, the video surveillance market and the environment data collection market.

Telecommunications tower infrastructure service providers in the PRC provide site resources to customers who need to install certain equipment to build out government and enterprise private communications networks or conduct data collection. In addition to provision of site space and ancillary services, the telecommunications tower infrastructure service providers can further integrate resources such as data collection devices, transmission networks and data platforms to provide site-based information services such as data collection, backhaul, aggregation, analysis and application to customers who need to conduct video surveillance or environment data collection.

According to the F&S Report, with the continuously increased investment in telecommunications networks by the PRC government, utilities as well as industrial and commercial sectors such as oil and electricity, the promotion of “Safe Cities” and “Smart Cities” by the PRC government and the stricter environmental policies in the PRC, it is expected that in the foreseeable future, demand for site resources service and site-based information service by customers in the government and enterprise private communications network market, the video surveillance market and the environment data collection market in the PRC will continue to grow rapidly.

The following table sets out the historical and forecasted market sizes of the government and enterprise private communications network market, video surveillance market and environment data collection market in the PRC in relation to site resources service and site-based information service (excluding purchases of relevant equipment of government and enterprise private communications network, video surveillance and environment data collection).

Unit: RMB billion

	2012	2013	2014	2015	2016	2017	2018 (Estimate)	2019 (Estimate)	2020 (Estimate)	2021 (Estimate)	2022 (Estimate)
Government and enterprise private communications network(1) market	1.3	2.3	3.8	4.8	5.3	6.0	7.2	8.2	9.4	10.7	12.3
Video surveillance market	73.4	89.2	119.0	158.1	200.9	213.7	242.5	277.4	316.6	357.7	392.4
Environment data collection market	5.1	5.8	6.3	6.9	7.9	10.0	11.2	12.9	14.8	16.6	18.5

Note:

(1) Government and enterprise private communications network means the communications network used for proprietary telecommunications of government, utilities and industrial and commercial enterprises.

Source: F&S Report

In addition, with the emergence of various new application scenarios, more types of demand for telecommunications tower infrastructure service may emerge, which will further enrich the business and revenue sources of telecommunications tower infrastructure service providers. For example, charging point operators may also utilize the sites of the telecommunications infrastructure service providers to install their equipment in the future.

OUR HISTORY

Establishment of the Company

On July 15, 2014, the Company was established under the name "China Communications Facilities Services Corporation Limited" (中國通信設施服務股份有限公司). The Telecom Shareholders were the three promoters of the Company. Upon establishment, the shareholding structure of the Company was as follows:

Name of Shareholder	Number of Shares held	Shareholding percentage
China Mobile Company	4,000,000,000	40.0%
China Unicom Corporation	3,010,000,000	30.1%
China Telecom	2,990,000,000	29.9%
Total	**10,000,000,000**	**100%**

The Company adopted its current name "China Tower Corporation Limited" (中國鐵塔股份有限公司) on September 2, 2014.

Change in Share Capital

On December 31, 2015, the Company issued additional Shares to the Telecom Shareholders, respectively, as part of the consideration for the acquisition of certain existing telecommunications towers and related assets from the Telecom Shareholders and their respective subsidiaries. The Company also issued new Shares to China Telecom and China Reform (which was introduced as a new Shareholder) for cash consideration. After such increase in share capital, the shareholding structure of the Company was as follows:

Name of Shareholder	Number of Shares held	Shareholding percentage
China Mobile Company	49,150,953,709	38.0%
China Unicom Corporation	36,345,836,822	28.1%
China Telecom	36,087,147,592	27.9%
China Reform	7,760,676,901	6.0%
Total	**129,344,615,024**	**100%**

No Shareholder above is a connected person of another Shareholder.

Milestone Events

The milestone events in our development history are set out below:

2014	We were established under the name "China Communications Facilities Services Corporation Limited" (中國通信設施服務股份有限公司).
	We adopted our current name "China Tower Corporation Limited" (中國鐵塔股份有限公司).
	We established 31 provincial level branches by the end of the year.
2015	We acquired certain existing telecommunications towers and related assets from the Telecom Group Companies and their respective subsidiaries, and the Telecom Shareholders and their respective subsidiaries, respectively, and commenced substantive commercial operations.
	We issued new Shares to each of the Telecom Shareholders and China Reform, and our share capital increased accordingly.
	We obtained the Basic Telecommunications Business Operation License (domestic telecommunications facilities service business) (基礎電信業務經營許可證(國內通信設施服務業務)) and the Value-added Telecommunications Business Operation License (web hosting) (增值電信業務經營許可證(網絡託管)) issued by the MIIT.
2016	We entered into the Commercial Pricing Agreements with each of China Mobile Company, China Unicom Corporation and China Telecom.
	We completed the issuance of asset-backed notes of RMB4.95 billion via China Interbank Bond Market.
2017	We became a member of the International Telecommunication Union.
2018	We entered into the Supplemental Agreements to the Commercial Pricing Agreements, and the Service Agreements with each of China Mobile Company, China Unicom Corporation and China Telecom.
	We entered into strategic cooperation framework agreements with State Grid Corporation of China and China Southern Power Grid Co., Ltd.

MAJOR ACQUISITIONS

The Company has been actively expanding its businesses since its establishment. The Company entered into the following agreements for the Tower Asset Acquisitions on October 14, 2015.

The consideration of each of the Tower Asset Acquisitions was determined based on arm's length negotiation among the parties and with reference to, among other things, the appraisal value of the target assets. As of the Latest Practicable Date, all the applicable regulatory approvals had been obtained for the Tower Asset Acquisitions, and the Tower Asset Acquisitions had been completed with the consideration settled except for the extension of consideration payable to CMCC as disclosed below.

Acquisition of certain telecommunications towers and related assets from the Telecom Group Companies and their respective subsidiaries

The Company entered into an asset acquisition agreement with CMCC and its 24 subsidiaries, CUC and its seven subsidiaries and CTC and its 11 subsidiaries, respectively, pursuant to which the Company acquired certain existing telecommunications towers and related assets from each of the Telecom Group Companies and their relevant subsidiaries in consideration of cash. Details of such acquisition are set out below:

Seller	Consideration	Settlement	Time of Settlement for Cash Consideration
	(RMB in millions)		
CMCC and its 24 subsidiaries	12,961	all in cash	Extended to December 2018
CUC and its seven subsidiaries	32	all in cash	December 2017
CTC and its 11 subsidiaries	2,966	all in cash	December 2017

Note: The Company was obliged to pay CMCC and its 24 subsidiaries the consideration by December 31, 2017 pursuant to the asset acquisition agreement. The Company entered into an agreement in relation to the outstanding payment arrangement with CMCC and its 24 subsidiaries on December 31, 2017 and extended the due date of the payment of the consideration to December 31, 2018.

Acquisition of certain telecommunications towers and related assets from the Telecom Shareholders and their respective subsidiaries

The Company also entered into a share subscription and asset acquisition agreement with China Mobile Company and its 31 subsidiaries, China Unicom Corporation and its one subsidiary, China Telecom and China Reform, respectively, pursuant to which the Company:

(i) acquired certain existing telecommunications towers and related assets from each of the Telecom Shareholders and their respective subsidiaries in consideration of cash and/or new Shares, details of which are set out below:

Seller	Consideration	Settlement	Time of Settlement for Cash Consideration
	(RMB in millions)		
China Mobile Company and its 31 subsidiaries	102,736	RMB57,585 million in cash + 45,151 million Shares	December 2017
China Unicom Corporation and its one subsidiary	54,658	RMB21,322 million in cash + 33,336 million Shares	December 2017
China Telecom	30,131	30,131 million Shares	N/A

(ii) issued new Shares to each of China Telecom and China Reform in consideration of cash, details of which are set out below. The proceeds from the issuance of new Shares were paid to each of China Mobile Company and China Unicom Corporation as part of the cash consideration.

Subscriber	Shares Subscribed	Consideration
		(RMB in millions)
China Telecom	2,966 million	2,966
China Reform	7,761 million	7,761

The Company issued Shares above to each of the Telecom Shareholders and China Reform on December 31, 2015.

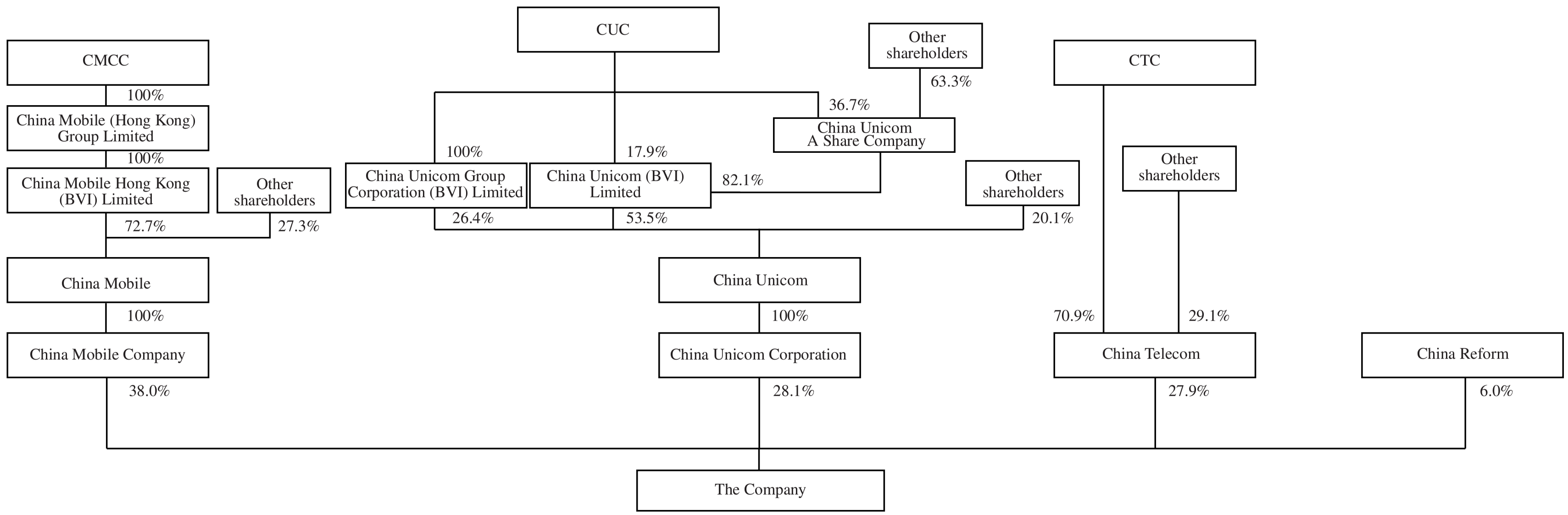
BUSINESS AGREEMENTS

Since the establishment of the Company, the Company entered into a series of long-term and short-term business agreements with the Telecom Group Companies and their associates. See "*Connected Transactions*" for the business agreements which are currently effective at the headquarters level.

OUR SHAREHOLDING STRUCTURE

Shareholding structure immediately prior to the Global Offering

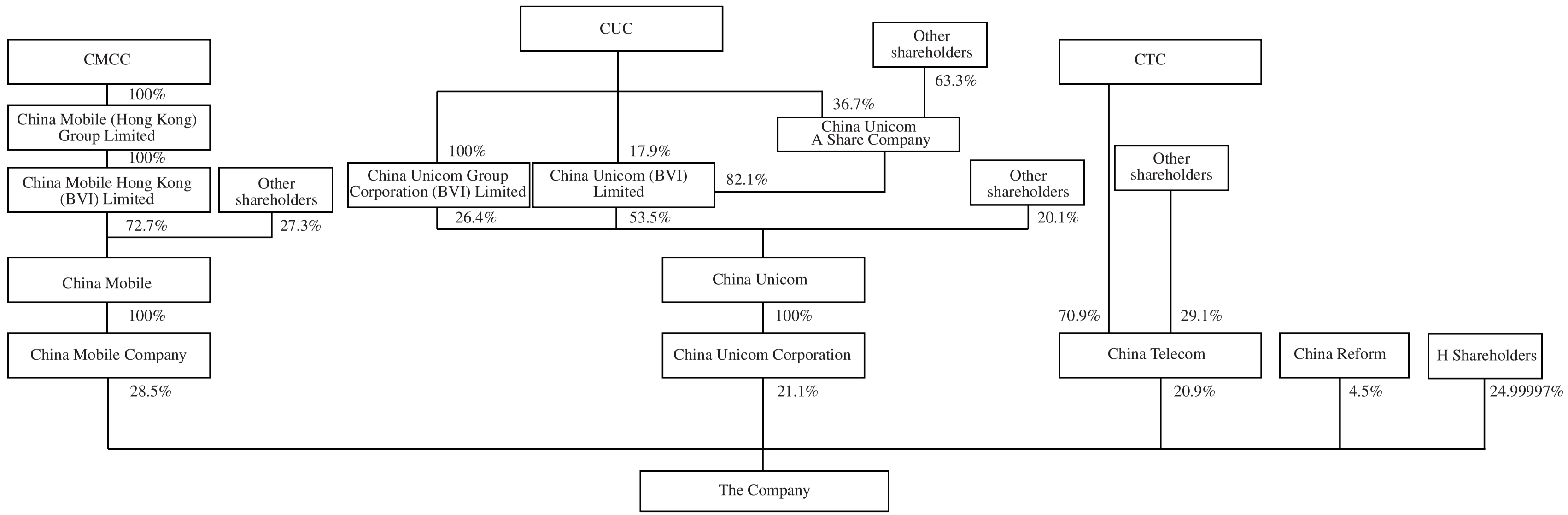
The following chart sets forth our shareholding structure as of the Latest Practicable Date:



Note: As of the Latest Practicable Date, 2,000,000,000 out of the 7,760,676,901 Shares held by China Reform had been pledged, representing approximately 1.5% of the total issued share capital of the Company.

Shareholding structure immediately following the completion of the Global Offering

The following chart sets forth our shareholding structure immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised):



Note: As of the Latest Practicable Date, 2,000,000,000 out of the 7,760,676,901 Shares held by China Reform had been pledged, representing approximately 1.5% of the total issued share capital of the Company.

OVERVIEW

We are the world's largest telecommunications tower infrastructure service provider. As of March 31, 2018, we operated and managed 1,886,454 sites and served 2,733,500 tenants. According to the F&S Report, in and as of December 31, 2017, we ranked first among the global telecommunications tower infrastructure service providers in terms of the number of sites, the number of tenants, and revenue. According to the F&S Report, our market share in the PRC telecommunications tower infrastructure industry was 96.3% in terms of the number of sites and 97.3% in terms of revenue in and as of December 31, 2017. We are an indispensable driving force in the implementation of China's strategy of building strength in cyberspace (the "**Cyber Power**" strategy).

We are primarily engaged in the following businesses:

- Tower business: Using our sites, we carry out macro cell and small cell businesses with TSPs.

  — Macro cell business: We provide site space, including towers and shelters or cabinets, to TSPs and to host their antennas and other macro cell equipment. Through macro cell business, we support TSPs to achieve the extensive coverage of their wireless communications networks in the PRC.

  — Small cell business: We provide site space, including towers, poles, other infrastructure resources and cabinets, to TSPs and to host their small cell equipment. Through small cell business, we support TSPs to densify the coverage and increase the capacity of the wireless communications networks built up by their macro cell equipment, particularly in urban areas with high density of population and buildings and certain non-urban areas.

- DAS business: We provide indoor distributed antenna systems to TSPs and to attach their telecommunications equipment. Through our DAS business, we support TSPs to achieve the in-depth coverage of wireless communications networks in buildings and tunnels.

- Trans-sector site application and information business ("**TSSAI**" business): Using our sites dispersed nationwide, we provide site resource services, including our infrastructure, maintenance services and power services, to host different types of devices for our customers from different industries and support them to build up different types of nationwide or regional networks. Furthermore, by integrating data collection devices, transmission networks, data platforms and other resources, we provide site-based information services, including data collection, transmission, analysis and application.

We primarily conduct tower and DAS businesses with TSPs using our extensive site resources. In addition to offering site space to TSPs, we provide them ancillary equipment, maintenance services and power services at our sites. Given the vast territory with complex geographical features and various wireless communications coverage requirements, we use different solutions for providing our infrastructure and services under different scenarios to address coverage needs of TSPs. While maintaining stable and predictable sources of operating revenue and cash flows from these two businesses, we are also engaged in TSSAI business with customers from different industries to meet their needs and to enhance our profitability.

We consistently apply the "sharing" philosophy to guide our business operations and create growth opportunities. We consolidate demands from TSPs for their wireless communications coverages and encourage them to share our sites through co-location. To further site sharing, we provide our site resources services and site-based information services to accommodate diverse needs of customers from different industries. This helps to expand the functionality of our sites from serving as telecommunications towers to serving as multi-use towers with a greater base for sharing. Being proactive to government policy which supports our access to infrastructure resources, we will be able to further diversify site sources by sharing, and expanding the functionality of, public utility towers and poles.

The PRC government is in the process of implementing the national strategies of "Cyber Power," "Digital China" and "Smart Society" and promoting the further integration of the Internet and big data with the real economy. Accordingly, the continuous development of the PRC wireless communications industry is expected to further expand coverage and increase speed of the 4G network, and promote deployment of the 5G network. We believe that such sustainable and favorable environment will continue to drive the fast development of telecommunications tower infrastructure in China.

Our business has experienced a significant growth since our establishment. In 2015, 2016 and 2017 and the three months ended March 31, 2018, our operating revenue was RMB8,802 million, RMB55,997 million, RMB68,665 million and RMB17,244 million, respectively. We believe that we are able to continuously provide customers with quality services, develop diverse businesses and maintain stable and predictable sources of operating revenue and cash flows and, by doing so, create value for the Shareholders.

COMPETITIVE STRENGTHS

Commanding market position: We are the world's largest telecommunications tower infrastructure service provider and an indispensable driving force in the implementation of China's "Cyber Power" strategy

We are the world's largest telecommunications tower infrastructure service provider with a commanding market position in the PRC. As of March 31, 2018, we operated and managed 1,886,454 sites and served 2,733,500 tenants. According to the F&S Report:

- we ranked first among the global telecommunications tower infrastructure service providers in terms of the number of sites, the number of tenants and revenue in and as of December 31, 2017;

- we had a market share of approximately 96.3% in China in terms of the number of sites in the PRC telecommunications tower infrastructure market as of December 31, 2017; and

- leveraging our site resources, we support the TSPs in the PRC to operate the world's largest wireless communications network in terms of the number of base stations, including the world's largest 4G network, and our support is fundamental for more than 1.4 billion wireless communications users in the PRC to experience quality and stable wireless communications services.

Our nationwide site resources allow us to have the most competitive position in the PRC market. As of March 31, 2018, our sites were spread across 31 provinces, municipalities and autonomous regions in the PRC, covering all cities and extensive rural areas. According to the F&S Report, we have an extensive geographic distribution of our sites, which are strategically located in the PRC. Our site density is relatively greater in the areas with more developed economy and higher density of wireless communications users.

Sites are pivotal to building wireless communications networks and fundamental to the development of the 4G network and the future deployment of the 5G network. By leveraging our sites with the largest scale and a strategic distribution in China, we have established the leading position in the industry and support the rapid development of the PRC wireless communications industry and the implementation of China's "Cyber Power" strategy. Therefore, we believe that we are well positioned to benefit from the rapid development of the wireless communications industry, grow revenue through promoting site co-location, maintain stable and predictable sources of operating revenue and cash flows, develop diverse businesses, improve operating efficiency and optimize the cost structure.

Sustainable and favorable development environment: We benefit from the opportunities arising from the sustainable and rapid development of the PRC wireless communications industry as well as favorable policy support from the government

We believe that the sustainable and rapid development of the PRC wireless communications industry will provide great potential for our growth. According to the F&S Report:

- the PRC has the world's largest wireless communications user base, which continues to grow, and is expected to reach 1.56 billion in 2022; and

- wireless communications data traffic per capita in the PRC increased at a high growth rate from 0.8 GB per year in 2012 to 17.4 GB per year in 2017, representing a CAGR of 85.5%, and is expected to maintain a relatively high growth from 2017 to 80.5 GB per year in 2022, representing a CAGR of 35.9%.

The PRC government is in the process of implementing the national strategies of "Cyber Power," "Digital China" and "Smart Society" and promoting further integration of the Internet and big data with the real economy. This provides a solid foundation for the continuous and rapid development of the PRC wireless communications industry. In addition, the active implementation by TSPs of government initiatives such as "Network Speed Upgrade and Tariff Reduction" and "Enhancing the

Infrastructure Level of Wireless Network" is expected to drive the rapid growth in wireless communications data traffic. The need of TSPs to further expand and optimize their 4G networks is expected to drive strong demand for the construction of telecommunications tower infrastructure. Furthermore, the PRC government attaches great importance to the 5G network build-out, and identifies 5G development as a key initiative in its "13th Five-Year Plan." According to the F&S Report, under the same conditions, the coverage radius of a 5G base station is expected to be far shorter than a 4G base station, and therefore the 5G network deployment is expected to bring a significant increase in demand for site resources from TSPs.

The PRC government has promulgated a number of favorable policies and regulations for developing the PRC telecommunications tower infrastructure industry and encouraging site co-location. Since our establishment, the MIIT, jointly with the SASAC, issued circulars to promote the co-location of telecommunications infrastructure, namely Circular [2014] No. 586, Circular [2016] No. 142, Circular [2017] No. 92 and Circular [2018] No. 82, according to which TSPs are in principle required not to build ancillary facilities for base stations such as towers, and indoor distributed antenna systems at key venues such as subways, high-speed railways, expressways and transportation hubs, and we shall coordinate the co-location of telecommunications towers. In addition, the MIIT, the MLR and the MOHURD jointly issued Circular [2017] No. 234, which specifies that local governments at all levels and other relevant administrative departments shall (i) support telecommunications tower infrastructure constructions, (ii) resolve property title issues of existing sites step by step, (iii) strengthen site planning, (iv) improve land administration for site uses and (v) optimize related application and approval procedures. As of the Latest Practicable Date, we entered into strategic cooperation agreements with 28 provincial governments in the PRC, under which we received various policy supports in site planning, site construction, site resources protection and sharing of infrastructure resources. We believe that, driven by strong policy supports, we are well positioned to capture the opportunities arising from the continuous and rapid development of the PRC wireless communications industry.

Sharing-oriented business model: It allows us to enhance our profitability by increasing tenancy ratio and marginal profit

Featuring the value of "sharing and win-win," our business model encourages site co-location by the Big Three TSPs through preferential co-location discounts. Supporting multiple tenants at one site, in turn, allows us to enhance our profitability. More specifically, increasing one additional tenant at a site normally requires lower capital expenditures for augmentation than those for building a new site. As compared to serving a single tenant, serving multiple tenants at a site increases our marginal profit, even after the co-location discounts. Therefore, site co-location can effectively enable us to increase both the profit per site and our overall profitability. Since our establishment, our tenancy ratio of the TSP tenants has continued to increase. As of December 31, 2015, 2016 and 2017 and March 31, 2018, our tenancy ratio of the TSP tenants for tower sites in operation was 1.28, 1.39, 1.43 and 1.43, respectively, and our tenancy ratio of the TSP tenants for ground tower sites in operation was 1.36, 1.49, 1.52 and 1.52, respectively. From the date of our establishment to March 31, 2018, 70.2% of our new TSP tenants were served through co-location. Accordingly, our EBITDA and EBITDA margin continued to increase during the Track Record Period. In 2016 and 2017, our EBITDA was

RMB32,655 million and RMB40,357 million, respectively, representing a growth of 23.6%, and our EBITDA margin was 58.3% and 58.8%, respectively. For the three months ended March 31, 2017 and 2018, our EBITDA was RMB9,749 million and RMB10,130 million, respectively, representing a growth of 3.9%, and our EBITDA margin was 59.3% and 58.7%, respectively.

According to the F&S Report, the number of 4G base stations in the PRC market is expected to increase from 3.28 million units in 2017 to 4.53 million units in 2022 at a CAGR of 6.7%. Our sharing-oriented business model is expected to continuously drive site co-location to meet TSPs' demands in line with their future growth. We believe that our premium site resources and sufficient installation space will enable us to fully utilize existing sites to accommodate the demand for wireless communications coverage from TSPs, effectively control our costs and enhance our profitability.

Stable and predictable sources of operating revenue and cash flows: Our major customers are global leading TSPs, with whom we have signed long-term agreements

According to the F&S Report, we were the largest telecommunications tower infrastructure service provider in the world in terms of revenue in 2017. During the Track Record Period, our operating revenue and cash flows continuously increased. Our operating revenue increased by 22.6% from RMB55,997 million in 2016 to RMB68,665 million in 2017. Our net cash flows generated from operating activities increased by 26.6% from RMB27,594 million in 2016 to RMB34,935 million in 2017. Our operating revenue amounted to RMB17,244 million in the three months ended March 31, 2018 and net cash flow generated from operating activities amounted to RMB5,791 million in the three months ended March 31, 2018. Such stability and visibility were mainly attributable to our quality customers and long-term agreements with them.

All of our major customers are global leading TSPs. According to the F&S Report, as of December 31, 2017, their total market share in the PRC wireless communications market was approximately 100%. Our major customers have good reputation and high credit ratings, strong payment ability and sufficient liquidity. We have entered into long-term agreements with our major customers, under which they agreed to pay us total fee according to payment schedules and compensations as a result of early termination of the services for their own reasons.

Benefiting from long-term agreements, we are able to achieve relatively quick settlement of our receivables. In 2016 and 2017 and the three months ended March 31, 2018, our turnover days for trade receivables were 66 days, 58 days and 66 days, respectively. According to the F&S Report, our preeminent position in the PRC market allows us to minimize the contract renewal risk, and since replacing a telecommunications tower infrastructure service provider is costly and it may impact the network coverage, TSPs generally have a stable business relationship with their existing telecommunications tower infrastructure service providers. We believe that our quality customers provide solid assurance for predictable and stable sources of our revenue, and allow us to achieve sustainable growth in our revenue and cash flows, which will enhance our enterprise value and is aligned with the interests of Shareholders.

Outstanding capability to provide comprehensive services: Having a broad service scope in the PRC, we offer integrated services, which strengthens our market leading position and expands our customer base across sectors

According to the F&S Report, we offer the broadest scope of services and have the strongest capability to provide comprehensive services among telecommunications tower infrastructure service providers in the PRC. We provide customers with comprehensive services, including site planning, site acquisition, site construction, power services, site operation and maintenance as well as emergency response services. By utilizing our nationwide site resources, professional service capabilities and quality staff, we are able to satisfy customer needs in a professional, responsive and prompt manner and capture rapid development opportunities in the wireless communications industry as well as arising from other industries.

We believe that our services have distinctive advantages in the following aspects:

- Coordinated site planning and premium integrated solutions to support customers' rapid network deployment: We are able to be responsive and efficient through consolidating customer demands, taking a lead in site planning and reserving key site resources in advance. We distinguish ourselves by providing customers with flexible and diversified integrated solutions. For customers in the wireless communications industry, we provide integrated solutions for wireless communications coverage by combining macro cells and small cells as well as coordinating indoor and outdoor coverages. For customers from other industries, we provide integrated solutions including site resources services and information services.

- Comprehensive power supply assurance system to support undisrupted and stable operations of customers' equipment: Continuous and stable power service is critical to network operations of TSPs. We offer comprehensive power services through multiple power assurance measures. In addition to utility electricity and other standard power assurance measures, we also provide (i) backup power, including batteries and gasoline and diesel generators, for sustainable power supplies and (ii) incidental power services to assure the operation of telecommunications infrastructure in natural disasters, emergencies and significant public events.

- Fully monitored and responsive maintenance service to provide fundamental support for stable operations of customers' equipment: We have built a centralized maintenance monitoring platform supported by smart FSUs and sensors to carry out 24x7 real-time monitoring over the operating conditions of more than 1.5 million sites across China. We timely address and resolve disruptions through our maintenance team and centralized management system for dispatching nationwide electronic orders. Moreover, we provide a central customer service hotline 10096 to quickly respond to customer inquiries.

We believe that, by leveraging our outstanding capability to offer comprehensive services, we are able to continue to enhance customer loyalty, strengthen our market position, and expand our customer base.

Great potential for business with customers from different industries: Based on our unparalleled site resources and outstanding capability in providing integrated services, we explore new business growth areas

Technologies such as IoT, big data and artificial intelligence have been developing rapidly in the PRC and are driving rapid growth in the demand for informatization in all industries. In response to this trend and by expanding the scope of our services, improving the value proposition of our services and addressing needs of customers from different industries, we conduct our TSSAI business to increase our marginal profit and develop our diverse business.

As of March 31, 2018, our customers included government authorities in charge of environmental protection, broadcasting and digital television, forestry, marine and other industries, and enterprises engaging in satellite positioning, IoT, private communications networks for governments and enterprises. In addition, we continue to develop customers from other industries. By using our nationwide site resources, we promptly address our customers' demands for rolling out their nationwide or regional network coverage in the PRC and provide our professional maintenance services. We assist customers to build different types of networks such as broadcasting and digital television networks, ground-based satellite signal augmentation systems, environmental protection surveillance networks, and meteorology surveillance networks. In addition, through consolidating data collection device, transmission network, data platform and other resources, we are able to provide information services including data collection, transmission, analysis and application. For example, we provide centralized video surveillance for air quality in all districts of Tianjin through consolidating tower sites, dedicated transmission lines, thermal imaging cameras and data platforms. As of March 31, 2018, we deployed thermal imaging cameras at over 600 sites covering areas over 1,000 square kilometers.

During the Track Record Period, the number of our customers in, and the revenue from, our TSSAI business continued to grow. The accumulated number of our customers increased from 281 as of December 31, 2016 to 1,758 as of March 31, 2018, while the number of our tenants increased from 2,169 as of December 31, 2016 to 45,674 as of March 31, 2018. Substantially all of the demands from such customers have been satisfied through co-location at our existing sites, which means we improve the utilization of our sites as well as operating revenue with relatively lower additional capital expenditures at a single site. Our operating revenue from our TSSAI business increased from RMB19 million in 2016 to RMB169 million in 2017 and increased from RMB6 million in the three months ended March 31, 2017 to RMB113 million in the three months ended March 31, 2018. We believe that the capability in providing integrated services based on our site resources is the important foundation for further exploring customers from different industries, and will help us create new business opportunities and growth areas.

Leading operational efficiency: An efficient, innovative and sophisticated management model allows us to achieve operational efficiency and optimize operating costs

Our sophisticated management and service ability is strengthened by our innovation capacity, which is demonstrated in our management system, management philosophy and information technology applications and allows us to achieve highly efficient operations and optimize operating costs. Specifically, we have:

- optimized and efficient management system: we have a streamlined management structure, and professional and highly efficient operation personnel. According to the F&S Report, our average number of sites per employee was higher than those of our peers in global markets with a range from 14.8 to 43.6 as of December 31, 2017. As of December 31, 2016 and 2017 and March 31, 2018, the average number of sites per employee was 120.8, 124.8 and 125.9, respectively;

- centralized and integrated management platform: our self-developed integrated management platform provides effective support for our operation workflows, including undertaking demands, site acquisition, site construction and site maintenance. We have also built a management system throughout the lifecycle of our assets to improve and refine our management;

- individual site accounting management system: we have established a management system, which allows us to measure profit or loss and record our revenue and costs on an individual site basis, and therefore to achieve sophisticated management of our operations;

- standardized construction management: leveraging our large business scale, we have (i) provided standardized and diversified integrated solutions, (ii) established project management and quality management on techniques and procedures driven by standardized specifications, (iii) established industry standards for telecommunications tower infrastructure industry in the PRC, and (iv) promoted the joint development of the public utility towers and poles and the telecommunications towers, through which we are able to shorten the time for our site construction, lower our construction costs, and enhance the quality of our project management and operation efficiency;

- "E-maintenance" model: with the help of our centralized maintenance monitoring platform, we have online remote control over maintenance through our online maintenance order distribution system. The ratio of our breakdown handling within eight hours was 98.7% and 99.2% in 2016 and 2017, respectively, and 98.9% and 99.2% for the three months ended March, 31 2017 and 2018, respectively. The ratio of our on-time power generation services was 95.8% and 96.3% in 2016 and 2017, respectively, and remained 96.2% for the three months ended March, 31 2017 and 2018; and

- "E-procurement" platform: we have built the first platform that features e-commerce in the telecommunications tower infrastructure industry in the PRC with a "one click to serve nationwide" function. We conduct optimized and transparent online procurement of materials and services needed for site construction, operation and management. As a result, our local branches are able to (i) conduct their procurement based on their current demand and in real time, (ii) satisfy their procurement needs more quickly and more efficiently, and (iii) lower the procurement costs.

Benefiting from the above measures and results, our operating efficiency remained stable while our business continued to grow. Our average repairs and maintenance expenses for an individual site were RMB3,318 and RMB3,288 in 2016 and 2017, respectively. The percentage of our repairs and maintenance expenses in total operating revenue was 10.3% and 9.0% in 2016 and 2017, respectively. The percentage of our employee benefits and expenses in total operating revenue was 6.7% and 6.2% in 2016 and 2017, respectively. Our average repairs and maintenance expenses for an individual site were RMB816 and RMB803 for the three months ended March 31, 2017 and 2018, respectively. The percentage of our repairs and maintenance expenses in total operating revenue remained 8.8% for the three months ended March 31, 2017 and 2018. The percentage of our employee benefits and expenses in total operating revenue was 6.7% and 7.2% for the three months ended March 31, 2017 and 2018, respectively. We believe that with our optimal and efficient management system, and innovative and sophisticated management model, we will maintain our leading position in operating efficiency in the industry.

Experienced management and high caliber employees: They provide significant support for our business development and implementation of our strategies

Our management team has a prominent strategic vision and extensive management experience, as well as an in-depth understanding of the telecommunications industry. Our Chairman of the Board and most of the senior management members each has more than 20 years of working experience in the telecommunications industry and has extensive front-line management experience. They have played an important role in leading our rapid development since our establishment. We believe that by leveraging their management experience and professional knowledge accumulated in the telecommunications industry, our visionary management team will be able to increase our overall profitability and create more value for Shareholders by (i) capturing future business opportunities based on market trend, (ii) forming favorable development strategies, (iii) evaluating and managing risks, (iv) leading in all types of services, construction, operation, maintenance and management tasks.

We have a stable, efficient and high-quality team of employees, including talents in marketing, operation and technology with extensive industry experience. As of March 31, 2018, we had 14,984 employees, 14,458 of whom had bachelor's degree or above qualifications, accounting for 96.5% of all employees; and 2,593 of whom had postgraduate or above academic qualifications, accounting for 17.3% of all employees. As of March 31, 2018, the employees who had been working for five years or above accounted for 82.3% of all employees. A team of employees with extensive experience and expertise are critical to our business success. As a result, we will continue to focus on attracting, recruiting and training talents. Our employees can also share their experiences in the aspects of customer service, technical exploration and innovative practice through a centralized online platform, which will strengthen the cooperation, cohesion and execution capabilities of our team. We believe that a team of high caliber employees is a significant support for the efficient implementation of existing business plans and future strategies.

BUSINESS STRATEGIES

In correspondence with (i) the PRC government's implementation of its "Cyber Power," "Digital China" and "Smart Society" strategies and (ii) its vision of "innovative, coordinated, green, open and sharing," we plan to fully capture the opportunities arising from the rapid growth of the wireless communications industry. By reinforcing our backbone business of telecommunications tower infrastructure services and further growing our business through vigorous development of our TSSAI business, we endeavor to be a world-class information communications infrastructure service provider.

We remain committed to "sharing" as our core value, further increase the level of site co-location and enrich our sharing-oriented services. In order to achieve sustainable development, we will continue to enhance our operational efficiency and improve our comprehensive service capabilities. We will:

— maximize the utilization of our existing site resources, and consolidate and guide the demands from our customers to continuously improve our site co-location, reduce service costs and enhance our asset operational efficiency and profitability;

— be proactive to local policy supports for our access to infrastructure resources and expand the functionality of public utility towers and poles to serve as telecommunications towers and further reduce our investment and construction costs;

— further explore opportunities to provide diversified services to customers from different industries by expanding the functionality of existing telecommunications towers to serve as public utility towers and poles and improve our enterprise value; and

— provide integrated wireless communications coverage solutions to TSP customers and develop integrated trans-sector information service solutions to extend our site co-location to the "integrated sharing," including the sharing of our last-mile transmission and infrastructure resources, and by doing so, we seek to better capture the industry growth opportunities.

In order to execute our business strategies, we plan to further reinforce and develop our "one core, two wings" business structure, with tower business being the core, DAS business along with innovative energy services being one wing and TSSAI business along with overseas expansion being the other, through the following measures:

For tower business, we will strengthen our industry leading position

- Macro cell business: We aim to grow together with TSPs and reinforce our leading position in macro cell business. We will (i) leverage our strength in coordinating site planning with the TSPs' network planning, and fully consolidate demands to improve our site co-location, (ii) lower our capital expenditures, satisfy our customers' demands more quickly and help lower their costs in network deployment by fully utilizing the resources of the public utility towers and poles and shortening the time for site construction, and (iii) extend the scope of our site co-location to more comprehensive sharing by providing TSPs with integrated solutions

- Small cell business: We seek to undertake more small cell orders from TSPs and enhance our market competitiveness by providing quality services in a more cost-efficient manner at competitive service charges. In order to achieve it, we plan to (i) lower the construction cost and enhance deliver efficiency by using public utility towers and poles for small cell installation, (ii) enrich our small cell service offerings through providing self-built sites or public utility towers and poles, or procuring customers to share our power access, maintenance, site acquisition and property coordination services without site constructions, (iii) offer quality facility maintenance and site operations through our experienced and dedicated professionals as well as our comprehensive power supply assurance system and real-time monitoring services, and (iv) develop small cell business by providing integrated service solutions for indoor and outdoor wireless communications coverage through a mix of macro cells and small cells.

For DAS business, we will improve our ability to satisfy our customers' demands

- We seek to strategically expand the coverage of our DAS sites in key venues and promote co-location at our DAS sites among TSPs. In order to achieve it, we plan to (i) coordinate the demands at subways, expressways, high-speed railways, transportation hubs, large venues and other key venues to promote our DAS business, (ii) develop more advanced DAS products and technological solutions to address customers' needs for coverages in different scenarios and their network deployment, (iii) explore and develop DAS solutions to adapt to the 5G network, and (iv) develop DAS business through integrated service solutions for the wireless communications coverage through a mix of tower and DAS sites.

For innovative energy services, we will promote green energy application

- We will proactively recycle retired electric vehicle batteries to replace lead-acid batteries. We aim to benefit us and create value for the society by utilizing retired electric vehicle batteries, solar power and wind power through a systematic approach.

For TSSAI business, we will explore growth potential for serving the informatization demands by customers from various industries

- We will explore new business growth areas by (i) further maximizing the value of our site resources and providing site resources service to more customers from different industries; and (ii) offering integrated information service solutions through improving our capability to provide comprehensive services, consolidating public resources, and establishing an open and collaborative industry ecosystem. We endeavor to expand our TSSAI business in the PRC markets. In the next two to three years, we plan to explore potentials primarily in the government and enterprise private communications network market, video surveillance market and data collection market in the next two or three years. Particularly, we intend to expand our offering of site-based information services to customers in such markets. In addition, we will closely monitor the market trends, continuously expand our customer base and explore growth potentials in various markets.

For overseas expansion, we will prudently seek development opportunities

- We believe that the "Belt and Road Initiative" proposed by the PRC government will bring opportunities for us into the global telecommunications tower infrastructure service markets. We will avail ourselves of such strategic opportunity and focus on relevant countries and regions. We seek different ways of investment and overseas opportunities prudently to explore new growth areas, thereby achieving sustainable development. We did not enter into any definitive agreement for our overseas expansion strategy as of the Latest Practicable Date. Currently, there is no detailed business plan or timetable for our entry into any specific overseas market and therefore, we have not adopted a specific financing plan to fund our overseas expansion. Our overseas expansion strategy is not expected to have any material effect on our capital expenditures, financial position and results of operations in the foreseeable future.

In addition to the above business measures, we will carry out our strategies by further enhancing management model innovation capability, cultivating our talent and performing our social responsibilities:

Further enhance our management model innovation to increase our operational efficiency

- We intend to motivate our local branches and improve efficiency through: structural optimization, people development and pro-innovation. By doing so, we seek to strengthen our competitiveness and promote healthy and sustainable development.

- We intend to increase the quality and efficiency of our maintenance services by enhancing our professional maintenance capability and exploring new maintenance management model through precise monitoring and big data analysis. In order to support our business innovations, we intend to improve our business operations, management process and integrated management and application platforms.

Cultivate talents to drive our sustainable development

- We intend to continue to grow our technology talent reserve and we regard the success of our employees as the source and the foundation for our sustainable and healthy development. We intend to build a structurally reasonable and professional team across all levels by (i) forming our human resources plan based on our strategic needs, (ii) establishing a market-oriented remuneration and incentive program and performance management system and continuing to explore incentive mechanisms to better align the interests of management, employees and our Company, and (iii) establishing a long-term training program.

Fulfill our social responsibilities to raise our corporate image and social value

- To raise our brand awareness, we will continue to fulfill our social responsibilities in the following major aspects: (i) resources saving: we will continue to promote the co-location of infrastructure resources, saving industry investments, reducing land usage to facilitate building a "resource conserving society"; (ii) environmental protection: we will apply wind, solar and other new energy technologies, and undertake research, design and construction of our sites in harmony with the surroundings to facilitate building an "environmentally-friendly society"; (iii) emergency handling: we will provide uninterrupted power supply and maintenance services to TSPs and customers from different industries to perform our responsibilities in providing telecommunications emergency handlings; (iv) targeted poverty alleviation: we will endeavor to participate in poverty alleviation, support building information infrastructure in relatively underdeveloped regions, support charitable efforts, to facilitate building a harmonious society.

OUR BUSINESS

Our business primarily comprises (i) tower business, including macro cell and small cell businesses, (ii) DAS business and (iii) TSSAI business. In addition, we also carry out other businesses including our transmission service.

The table below sets out the breakdown of our operating revenue for the periods indicated.

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
			(RMB million)		
				(unaudited)	
Tower business	8,756	55,552	67,085	16,254	16,723
Macro cell business	8,756	55,552	66,828	16,208	16,639
Small cell business[(1)]	—	—	257	46	84
DAS business	45	421	1,284	186	391
TSSAI business[(2)]	—	19	169	6	113
Others[(3)]	1	5	127	3	17
Total	**8,802**	**55,997**	**68,665**	**16,449**	**17,244**

Notes:

(1) We were not engaged in small cell business in 2015 and 2016.

(2) We were not engaged in TSSAI business in 2015.

(3) Revenue from others include revenue generated from transmission services, commissions for paying electric power charges on behalf of customers, and income from leasing some of our properties. Through our transmission service, we provide short interval tubes, poles and other facilities to our tenants.

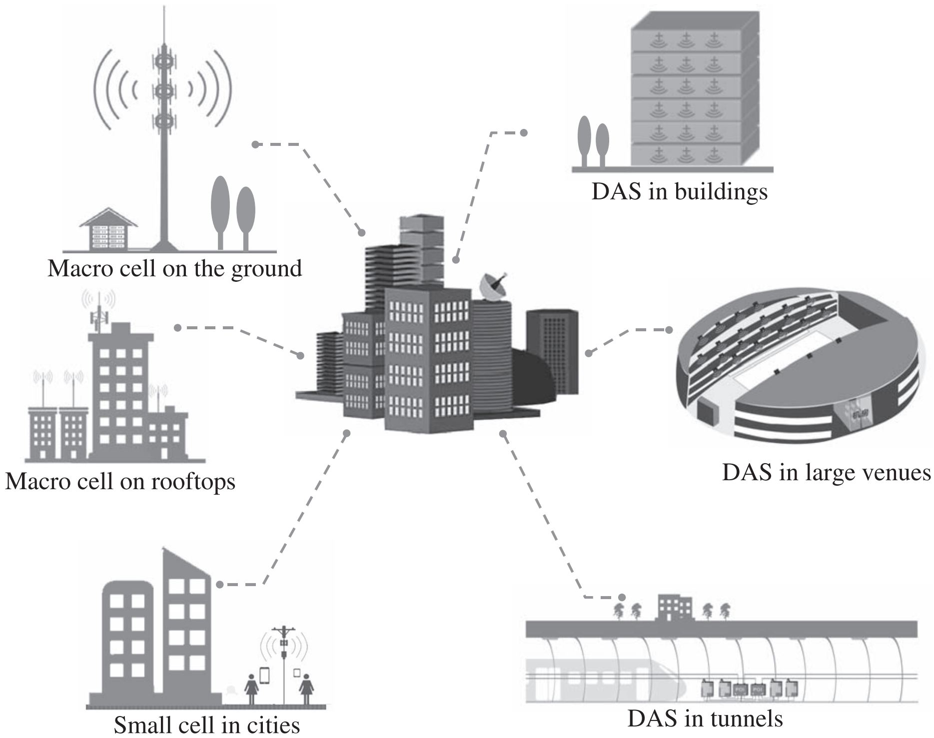
We focus on our tower and DAS businesses with TSPs, while seeking diversified businesses and new growth areas of our operating revenues by developing TSSAI business.

Other than operating revenues as mentioned above, we also evaluate our businesses based on their respective number of tenants. During the Track Record Period, substantially all of our tenants were from macro cell business. The following table sets out the number of tenants by businesses as of the dates indicated.

	As of December 31,			As of March 31,
	2015	2016	2017	2018
Tower tenants	1,939,063	2,402,820	2,645,223	2,662,655
Macro cell tenants	1,939,063	2,402,820	2,629,024	2,644,597
Small cell tenants	—	—	16,199	18,058
DAS tenants	3,532	13,646	23,615	25,171
TSSAI tenants	—	2,169	18,637	45,674
Total	**1,942,595**	**2,418,635**	**2,687,475**	**2,733,500**

Businesses with TSPs

We are primarily engaged in businesses with TSPs. To help them achieve a nationwide wireless communications coverage throughout the PRC, we carry out site constructions and maintenance across regions in the country and provide services to them. Given the vast territory with complex geographical features and different scenarios of wireless communications coverages in the PRC such as cities, towns, rural areas, villages, mountains, plains, tourist attractions, expressways, subways, high-speed railways and transportation hubs, we have been exploring different ways to apply our various infrastructure through matching and combining them to address wireless communications coverage needs from TSPs under different scenarios. Our primary businesses with TSPs are tower business, including macro cell and small cell business, and DAS business. The following diagram generally illustrates our tower and DAS business with TSPs in certain scenarios.



Tower Business

Our tower business comprises macro cell and small cell businesses.

Macro Cell Business

Focusing on the demands from the TSPs for extensive wireless communications coverages all over the PRC, we have developed our macro cell business based on our tower sites geographically dispersed throughout the PRC. We provide site space on towers as well as shelters or cabinets to TSPs to host their antennas and other macro cell equipment. We also provide ancillary equipment and various services to ensure the smooth operations of our infrastructure and power and support continuous functioning of their macro cell equipment.

We provide site space, maintenance services and power services to TSPs in macro cell business.

- Site space. We provide our towers and our shelters or cabinets, and ancillary equipment to our TSP tenants for them to install their telecommunications equipment.

- Maintenance services. Our maintenance services include monitoring equipment operations, routine inspection, breakdown handling, property upkeep, working environment protection and operation analysis. Through our maintenance services, we assist our tenants to maintain continuous functioning of their equipment.

- Power services. We provide power access, batteries or backup power generation to our tenants' telecommunications equipment. Utility electricity can be provided to our tenants through our power access. In the event of a disruption in utility electricity, we offer our backup power assurance from batteries. In addition, we generate power using our gasoline or diesel generators to telecommunications equipment of our tenants in case that both utility electricity is disrupted and our batteries are exhausted.

In 2015, 2016 and 2017 and the three months ended March 31, 2018, our operating revenue from the macro cell business accounted for 99.5%, 99.2%, 97.3% and 96.5% of the total operating revenue, respectively.

Small Cell Business

Focusing on the demands from TSPs for supplementary coverages in urban areas with high density of population and buildings and certain non-urban areas, we provide tower site space to host small cell equipment from our tenants and conduct our small cell business. We also provide ancillary equipment and various services to ensure the smooth operations of our infrastructure and power to support the continuous functioning of the small cell equipment of our TSP tenants.

In our small cell business, we provide services similar to our macro cell business, including the site space, maintenance services and power services. See "*— Our Business — Business with TSPs — Tower business — Macro cell business*."

As wireless network coverages become further developed, small cell equipment is becoming a key component of the wireless communications networks of TSPs, and is widely used in commercial districts, streets, residential communities, tourist attractions, and transportation hubs. In the above scenarios and other scenarios with high traffic flows, we work with a number of enterprises, communities and other entities in the PRC to use their lighting poles, surveillance poles, utility poles, bus stop boards, sides of bridges, building rooftops in communities and building walls as our sites and reserve space for hosting small cell equipment. We commenced our small cell business in 2017. In 2017, our operating revenue derived from small cell business was RMB257 million. In the three months ended March 31, 2017 and 2018, our operating revenue from small sell business was RMB46 million and RMB84 million, respectively. As of March 31, 2018, the number of the TSP tenants of our small cell business was 18,058.

DAS Business

Focusing on the demands from TSPs for in-depth wireless communications coverage inside buildings and tunnels, we carry out DAS sites construction work in commercial buildings, large venues as well as subway tunnels, high-speed railway tunnels, expressway tunnels and other scenarios where indoor wireless communications coverages are required by TSPs, and conduct our DAS business. We offer our DAS sites to TSP tenants and connect their telecommunications equipment to our indoor distributed antenna systems, helping them receive and send indoor wireless communications signals, and enable such signals to spread cross buildings and tunnels. We also provide ancillary equipment, maintenance services and power services to ensure smooth operations of our DAS and power to support the continuous functioning of the equipment of our TSP tenants.

We undertake DAS projects in many regions in the PRC and expect to maintain and increase the number of DAS projects in due course. As of March 31, 2018, our DAS business had the following development:

- covering 22,870 projects in buildings and large venues with a gross floor area of over 1 billion square meters, such as Zhongguo Zun, the highest skyscraper in Beijing and Terminal 2 of Guangzhou Baiyun International Airport;

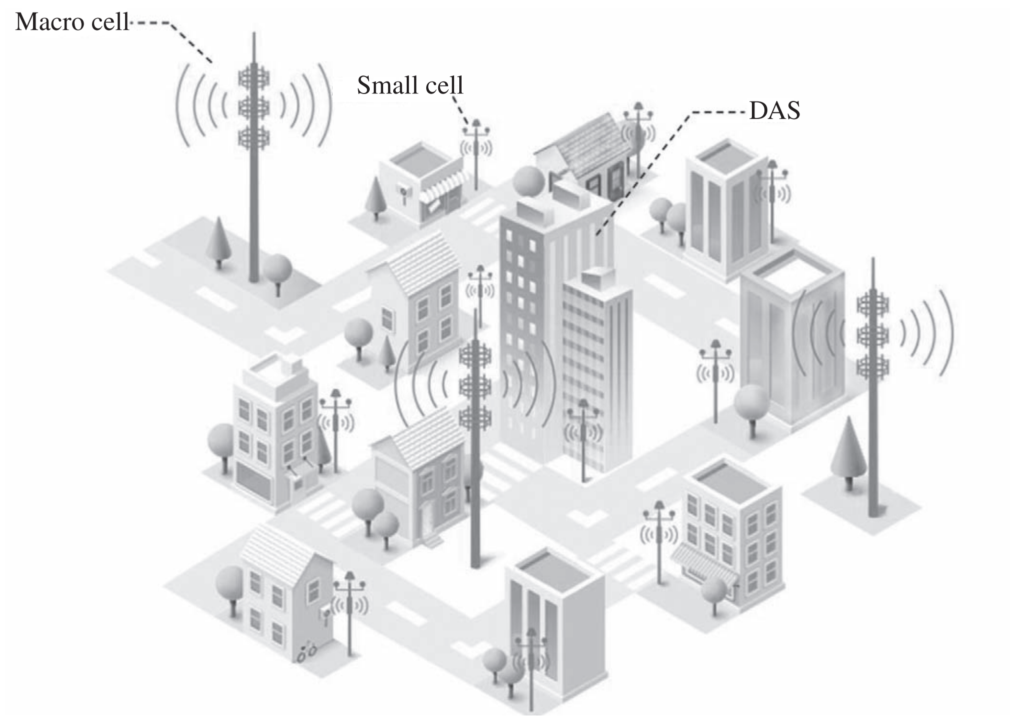
- covering 4,389 kilometres of tunnels in 69 high-speed railways projects, such as Hainan West-loop High-speed Railway, Shanghai-Kunming High-speed Railway and Xian-Chengdu High-speed Railway. Together with our tower sites built along such high-speed railways outside tunnels, we enabled our TSP customers to build up their telecommunications network coverages over a total length of more than 13,700 kilometers of high-speed railways in the PRC; and

- covering 1,905 kilometres of tunnels in 95 metro line projects, such as Qingdao Metro Line 2, Guangzhou Metro Line 3, 4, 9 and 13, Dalian Metro Line 1, Chengdu Metro Line 2 and Wuhan Metro Line 3. Together with our tower sites built along such metro lines outside tunnels, we enabled our TSP customers to build up their telecommunications network coverages over a total length of more than 2,200 kilometers of metro lines in the PRC.

We have established a track record of DAS business with increasing operating revenue as well as tenants. In 2015, 2016 and 2017, our operating revenue from the DAS business amounted to RMB45 million, RMB421 million and RMB1,284 million, respectively. In the three months ended March 31, 2017 and 2018, our operating revenue for the DAS business amounted to RMB186 million and RMB391 million, respectively. As of December 31, 2015, 2016 and 2017 and March 31, 2018, the number of TSP tenants in our DAS business was 3,532, 13,646, 23,615 and 25,171, respectively.

Preliminary application of integrated solutions for wireless communications coverage

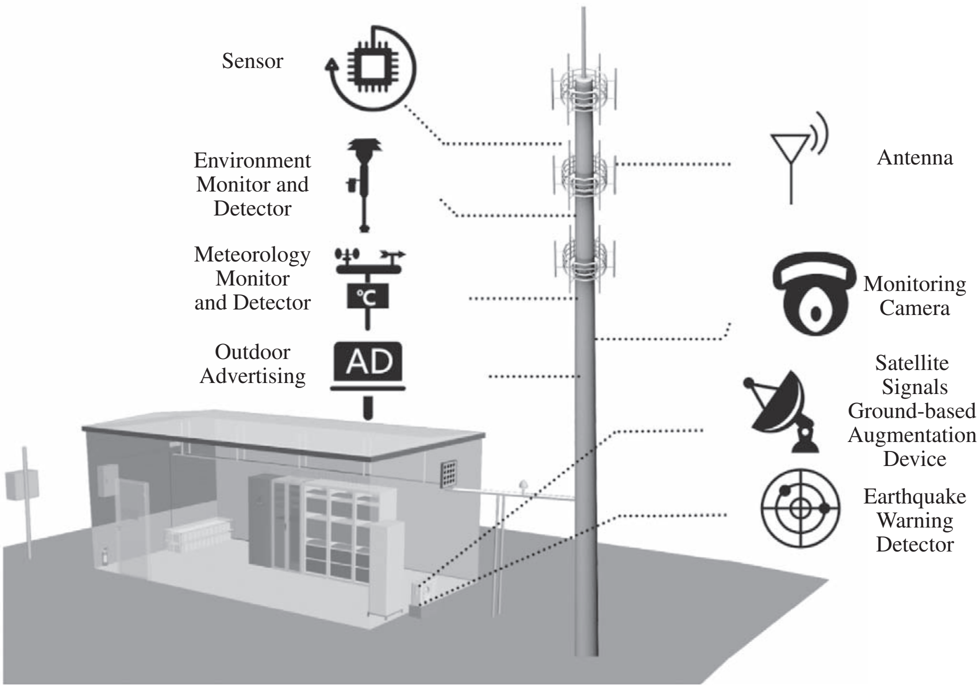
In response to the needs of TSPs for (i) indoor and outdoor wireless communications coverages through a mix of macro cells and small cells in certain areas, and (ii) continuous integration of our macro cell, small cell, and DAS businesses, we offer customers integrated solutions for wireless communications coverage. As we combine and coordinate our macro cell, small cell and DAS businesses in a specific area, we can support our customers to broaden their wireless communications coverages and increase their wireless communications network quality, with relatively lower costs. The following diagram generally illustrates our integrated solutions for wireless communications coverages.



Through the integrated solutions for wireless communications coverage, we are able to assist TSPs to offer even and seamless wireless communications network coverages between indoor and outdoor areas in scenarios with high density of population and buildings. We have started the preliminary application of such solutions since late 2017.

TSSAI business with customers from different industries

In addition to providing services for TSPs, based on our site resources primarily, we offer a variety of services to customers from different industries in our TSSAI business to address their diverse needs. Through our sites dispersed nationwide, continuous power assurance, centralized maintenance monitoring platform as well as easy access to telecommunications networks, we are capable of providing our infrastructure, maintenance services and power services to our customers from different industries. Furthermore, by integrating data collection devices, transmission networks, data platforms and other resources, we are also capable of providing our customers with information services based on our sites. The diagram below generally illustrates our TSSAI business based on our site resources.



We have established a track record with a rapid growth in operating revenue derived from our TSSAI business since January 2016. In 2016 and 2017, operating revenue from our TSSAI business was RMB19 million and RMB169 million, respectively. In the three months ended March 31, 2017 and 2018, operating revenue from TSSAI business was RMB6 million and RMB113 million, respectively.

During the Track Record Period, we mainly provided site resources services and site-based information services for customers in our TSSAI business.

Site resources service

We provide site resources for customers to install certain equipment, and maintain smooth operations of such equipment through providing our maintenance and power services. Our site resources services primarily address our customers' needs for private communications networks for government and enterprises, and data collection. It mainly involves (i) private communications networks for government and enterprises from broadcasting and digital television, power, energy, civil aviation and other sectors, and (ii) data collections for satellite signals ground-based augmentation system, and surveillance for air quality, meteorology, seismology, drones, land, marine, expressways, railways and prevention of forest fire.

During the Track Record Period, we provided site resources service to a large number of customers. Taking government private communications network as an example, we provided services to install customers' equipment at our sites to ensure communications in emergency handling, public security, fire fighting and significant public events. Taking environmental protection data collection as an example, as of March 31, 2018, we cooperated with the environmental protection authorities from 13 provincial regions in the PRC and provided them tower sites to host PM2.5 detection equipment for air quality monitoring in areas such as streets, industrial parks, ring roads and high-tech parks.

Site-based information service

We integrate site resources, dedicated transmission lines, data platform, third-party equipment and other resources and are capable of providing our customers with information services for data collection, backhaul, aggregation, analysis and application.

During the Track Record Period, we had provided site-based information services to a number of customers. In Tianjin, we integrated our own site resources, dedicated transmission lines from TSPs, as well as thermal imaging cameras and data platforms from a third party in May 2017 and provided centralized video surveillance on air quality for all districts in Tianjin. In Shanghai, we integrated our own site resources, IoT equipment and data platform from IoT companies in October 2017 to assist local authority with real-time surveillance on well covers in the city. In Yunnan, we entered into an agreement with the municipal government of Lijiang in December 2017 and integrated our own site resources, dedicated transmission lines and data platform as well as third-party equipment to provide integrated information services including video surveillance, meteorological surveillance, environmental surveillance, emergency broadcasting, smart lighting and information announcement in tourist attractions for local authorities.

Other than the aforesaid two services, we also provide other services, including outdoor advertising, equipment and facility custody, construction and maintenance of facilities held by our customers.

OUR SITES

Sites are our cornerstones to carry out businesses. Based on our site distribution plan or the demands from our customers, we carefully select locations, acquire titles or use rights of the properties for such locations and build our sites. Our core competitive edge lies on our large number of sites and their reasonable distribution, which enables us to satisfy the wireless communications coverage demands from TSPs and specific needs from customers in different industries in the vast territory and complicated area characteristics in the PRC.

We operate our business based on our site resources and a single site can be used to conduct different businesses. The table below sets out the types of our sites, corresponding businesses based thereon and site numbers as of March 31, 2018.

Type of sites	Corresponding businesses	Number of sites as of March 31, 2018
Tower sites	Macro cell, small cell and TSSAI	1,868,226
DAS sites	DAS and TSSAI	18,228

Number of Sites

As of March 31, 2018, we had 1,886,454 sites in operation. According to the F&S Report, as of December 31, 2017, we ranked first among global telecommunications tower infrastructure companies in terms of the number of sites which surpassed the total number of sites in operation from the rest of the world's top ten telecommunications tower infrastructure companies.

Substantially all of our sites are tower sites. Our tower sites are mainly acquired from the Telecom Shareholders and Telecom Group Companies. As of March 31, 2018, we had 1,436,133 tower sites acquired from them. For details on the arrangements for tower site acquisition, see "*History and Development — Major Acquisitions*."

Site Distribution

The nationwide distribution of our sites in the PRC helps TSPs achieve fast development and extensive wireless communications coverages.

The thermodynamic diagram below shows the distribution of our sites across all provincial regions in the PRC as of March 31, 2018.

We strategically locate our sites in each provincial region according to economic development and population density. According to the F&S Report, our site distribution in each provincial region in the PRC is in line with its local economic development and population density. In areas with more developed economy and high density of wireless communications users, the distribution of our sites is relatively denser.

Types of Sites

According to applicable scenario for telecommunications tower infrastructure, our sites comprise tower sites and DAS sites. As of March 31, 2018, we had 1,868,226 tower sites in operation and 18,228 DAS sites in operation, accounting for 99.0% and 1.0% of the total number of our sites in operation, respectively. The table below sets out the number of our tower sites and DAS sites in operation as of the dates indicated.

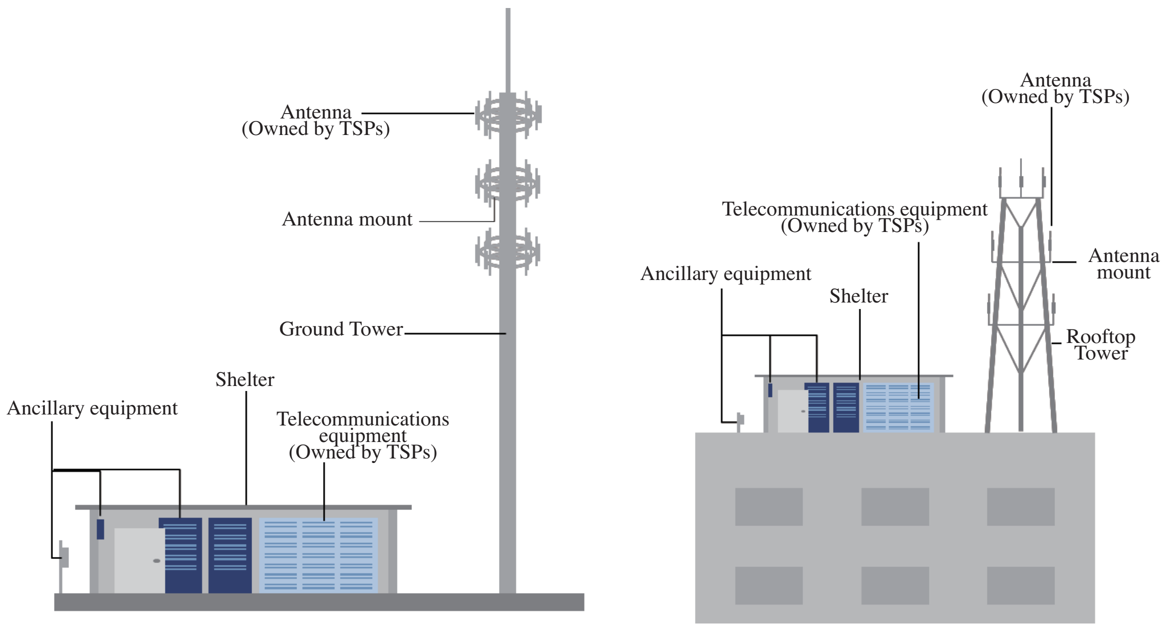
	As of December 31,			As of March 31,
	2015	2016	2017	2018
Tower site	1,517,710	1,723,247	1,855,176	1,868,226
DAS site	2,494	9,953	16,978	18,228
Total number of sites	1,520,204	1,733,200	1,872,154	1,886,454

Tower sites are operated on the ground or rooftops, and DAS sites are operated in buildings or tunnels. Accordingly, tower sites comprise ground tower sites and rooftop tower sites, while DAS sites comprise building DAS sites and tunnel DAS sites. The table below sets out the criteria for determining our tower sites and DAS sites.

Site type	Criteria for determination of a site
Tower site	• A ground tower site usually comprises a ground tower, a shelter or cabinets and relevant ancillary equipment. • A rooftop tower site usually comprises a rooftop tower, a shelter or cabinets and relevant ancillary equipment on one rooftop.
DAS site	• A building DAS site usually comprises a set of indoor distributed antenna system and ancillary equipment installed in a building. • A tunnel DAS site usually comprises leaky cable, and ancillary equipment in a section of a tunnel.

Tower Sites

We build our tower sites on the ground or rooftops in consideration of the coverage objectives of TSPs, geographic features as well as costs. As of March 31, 2018, ground tower sites accounted for a large part of our tower sites. The diagram below generally illustrates our ground tower site and rooftop tower site and their respective main components.



The table below sets out the main components of our tower sites and their brief introduction.

Components	Brief introduction
Towers	• Towers are our core assets, mainly used to host antennas from TSPs.
Shelters or cabinets	• Including self-built shelters, leased shelters or integrated cabinets, primarily for storage of telecommunications equipment owned by TSPs and our ancillary equipment.
Ancillary equipment	• Including power access, power distribution boxes, switch-mode power supply, batteries, air conditioners, smart FSUs and other equipment.
Ground space	• Typically a parcel of land or area that we owned, leased or otherwise used.

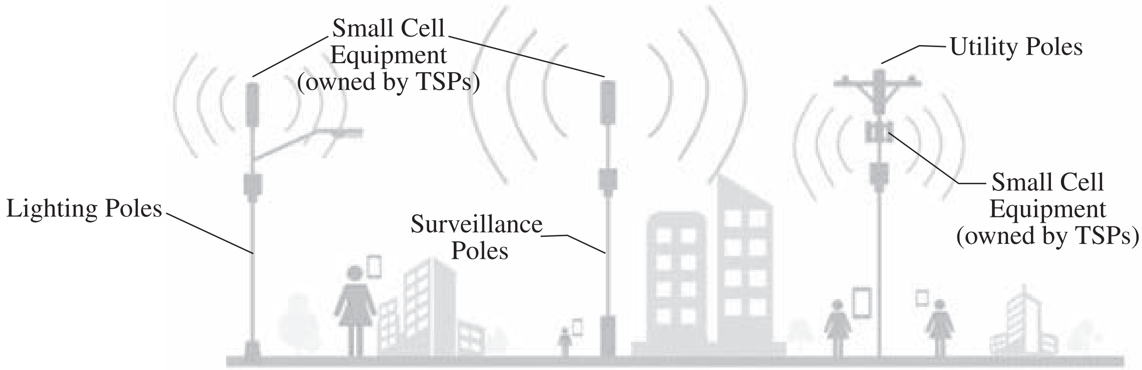
Types of towers

We conduct analysis on different types of towers and divide them into five subcategories according to standard construction costs and applicable scenarios. The table below sets out the five subcategories of towers, as well as their applicable scenarios and sample pictures.

Category	Subcategory	Description	Applicable scenario	Sample picture
Ground tower	General ground tower	Mainly referring to various types of towers constructed on the ground that can host more antennas and with antenna heights up to 50 meters, which primarily consist of monopoles, lattices and angle-steel towers.	Mainly applying to plains, mountains, suburbs and cities with no aesthetic needs.	 - Monopole  - Lattice  - Angle-steel tower
	Landscaped tower	Mainly referring to various types of towers constructed on the ground that can host fewer antennas with lower antenna heights than general ground tower, primarily consisting of general landscaped tower and camouflage tower.	Mainly applying to streets in cities, communities, commercial centers and other areas with aesthetic needs.	 - General landscaped tower  - Camouflage tower

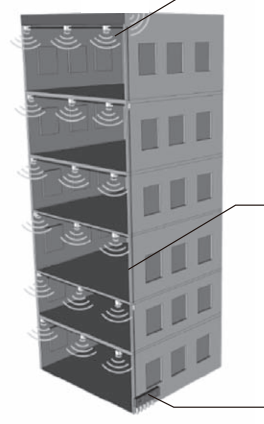
Category	Subcategory	Description	Applicable scenario	Sample picture
	Pole	Mainly referring to various types of simple poles constructed on the ground with antenna heights lower than 25 meters that can host fewer antennas than general ground tower, such as lamp poles and guyed poles.	Mainly applying to streets in cities, communities and mountains where customers host their antennas with lower heights.	 - Lamp pole  - Guyed pole
Rooftop towers	General rooftop tower	Mainly referring to various types of towers constructed on roofs that can host fewer antennas with lower antenna heights, which primarily consist of racks and stealth.	Mainly applying to areas with dense population and buildings in cities, or areas where site acquisition on the ground is not viable.	 - Rack  - Stealth
	Rooftop pole	Mainly referring to strut poles constructed on rooftops or walls with lower antenna heights on which no more than two sets of antennas can be hosted.	Mainly applying to areas with dense population and buildings in cities, or areas where site acquisition on the ground is not viable.	 - Rooftop pole

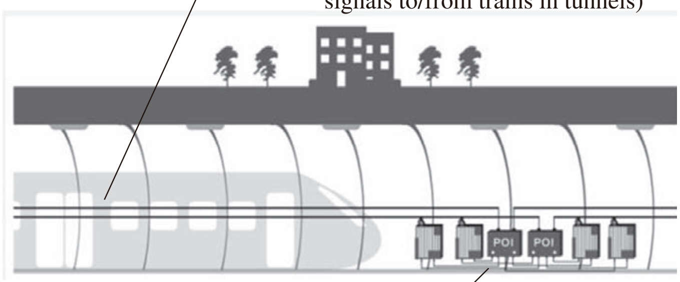
To address an increasing need for small cells from TSPs, we also acquire tower sites to carry out our small cell business. As small cell equipment is relatively lighter and smaller as compared to macro cell equipment and with lower antenna height requirement, we generally acquire lighting poles, surveillance poles, utility poles, bus stop boards, sides of bridges, building rooftops in communities or building walls as tower sites for small cell business. As of March 31, 2018, the number of such tower sites was 18,044. We believe that with in-depth 4G network coverage and deployment of 5G network by TSPs going forward, the number of such tower sites will continue to increase. The diagram below generally illustrates our tower sites for small cell business.



DAS Sites

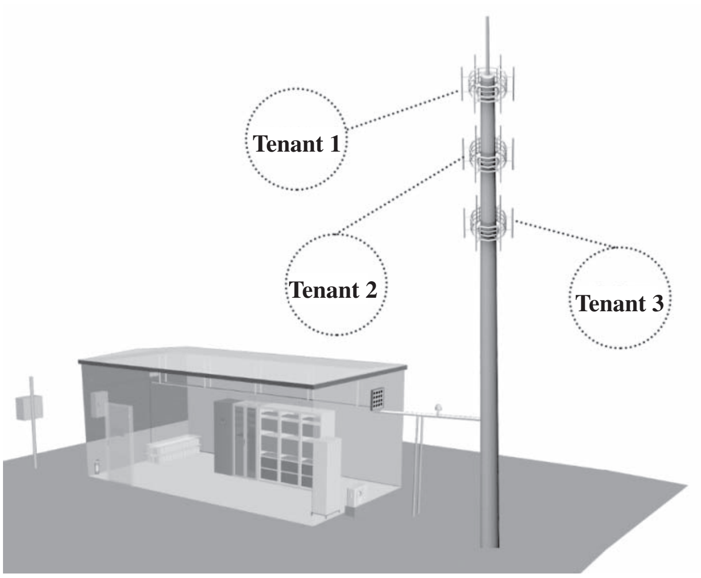
Our DAS sites comprise distributed antenna systems, power supply and ancillary equipment. They are normally categorized into building DAS sites and tunnel DAS sites to fit in buildings and large venues as well as tunnels in subways, high-speed railways and expressways. We install antennas, feeders, optical fiber cables, active and passive devices as well as other devices in our distributed antenna systems inside the walls and above the ceilings inside buildings to create a seamless in-building coverage of wireless communications signals from TSPs. We install leaky cables, optical fiber cables and other devices in our distributed antenna systems on the inside walls in tunnels to spread the wireless communications signals from TSPs along tunnels, covering trains and subways inside. The diagram below generally illustrates the signal transmission and equipment layout in building DAS sites and tunnel DAS sites.





Site Co-location

We encourage our customers to co-locate at our sites. We serve multiple tenants at a single site, host their equipment and provide them with our services, which subsequently increase marginal profit of a single site. The diagram below generally illustrates a tower site typically co-located by three TSP tenants.



We focused on facilitating site co-location among the Big Three TSPs and had a significant progress during the Track Record Period. As of March 31, 2018, 70.2% of our new TSP tenants had been served through co-location. Apart from our tenants from the Big Three TSPs, our TSSAI business has contributed tenants from customers in different industries to our site co-location. The table below sets out our tenancy ratio, as well as the tenancy ratio of our TSP tenants for all sites in operation and ground tower sites in operation.

	As of December 31,			As of March 31,
	2015	2016	2017	2018
Tenancy ratio	1.28	1.40	1.44	1.45
Among which the tenancy ratio of:				
TSP tenants for tower sites	1.28	1.39	1.43	1.43
TSP tenants for ground tower sites	1.36	1.49	1.52	1.52

To facilitate our site co-location, we offer attractive co-location discounts to the Big Three TSPs and encourage them to co-locate at our existing sites or new sites to be built. According to the F&S Report, the tenancy ratio of TSPs tenants in the PRC market in 2022 is expected to be 1.62. Therefore, we believe that there is still growth potential for increases of the tenancy ratio of our TSP tenants. In addition, as our TSSAI business develops, we believe that more tenants from our customers in different industries would participate at our site co-location, leading to a further increase in our tenancy ratio.

KEY OPERATION WORKFLOWS

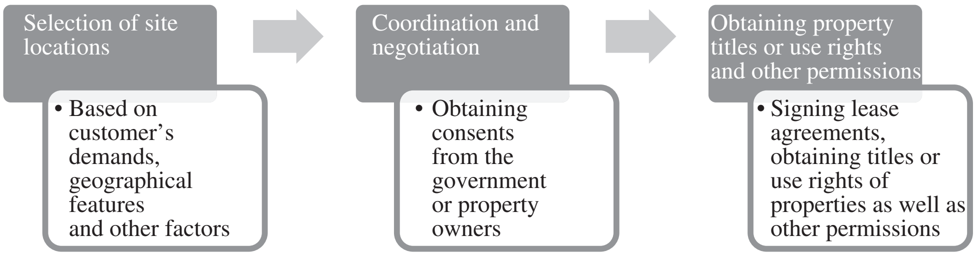
Our operation workflows mainly include demand undertaking, site acquisition, site construction and site maintenance. Our business operations are primarily driven by demands. We undertake wireless communications coverage demands from our customers and match such demands with our site resources. Based on the matching result, we can satisfy such demands either by augmenting our existing sites or identifying and building new sites. After delivering our sites to customers for hosting their equipment, we carry out site maintenance work in order to assist our customers in maintaining smooth functioning of their equipment. The chart below generally sets out our key operation workflows.

Demand Undertaking

We commence our operations with undertaking wireless communications coverage demands from TSPs. We have a well established mechanism for analyzing customers' demands and matching site resources via our integrated management platform. Through such mechanism, we are able to identify the demands which could be addressed by co-locating at our existing sites and augmenting such sites to host more equipment. Otherwise, we acquire and build new sites and provide them to our customers.

Site Acquisition

Site acquisition is an important competitive advantage in our daily operations that distinguishes us from other telecommunications tower infrastructure companies. For the demands which cannot be addressed by using our existing sites, we identify locations for building new sites, obtain titles or use rights of properties and other necessary permissions for site construction, and ensure services to be provided to customers through such sites. Therefore, our site acquisition mainly includes selection of site locations, coordination and negotiation and obtaining titles or use rights of properties and other permissions. The diagram below generally illustrates the procedures of our site acquisition.



We have built our site acquisition teams throughout the PRC and engage third-party service providers to assist us in site acquisitions. Moreover, our site acquisition efforts have been supported by the government, enterprises and public institutions. As of the Latest Practicable Date, we entered into strategic cooperation agreements with 28 provincial governments in the PRC, under which we received various policy supports in site planning, site construction, site resources protection and sharing of infrastructure resources. In addition, we cooperate with public and private entities in the PRC to share towers and poles.

Site Construction

Our site construction comprises augmentation of existing sites and construction of new sites. We undertake augmentation at our existing sites by increasing site capacity, including height extension, foundation strengthening and extension of ground space, to accommodate additional tenants and host more equipment. We also construct new sites for our tenants to host their equipment. The table below sets out the number of augmentation projects completed at existing sites as well as new sites built and delivered for use for the periods indicated.

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
Augmentation projects completed at existing sites	251,662	371,234	357,007	69,181	77,230
New sites built and delivered for use	153,381	185,589	143,432	22,714	12,665

As of March 31, 2018, we had 7,456 sites constructed but not put into service and 43,430 sites under construction.

We engage third party service providers to design, construct and supervise and we conduct our site construction quality control through the following ways: (i) Management of construction procedures, which is mainly carried out by developing standardized construction techniques and procedures. We issue a number of databases for techniques and procedures and make explicit requirements on the techniques and procedures of towers and DAS. We incorporate such databases into our IT system and subsequently achieve an centralized management. Our staff in charge of projects in local branches are responsible for supervising and inspecting the construction projects in accordance with such techniques and procedures. Meanwhile, our headquarters and provincial branches conduct online monitoring or regular on-site spot check on such projects. (ii) Acceptance specifications. Based on the requirements on our acceptance standards under the service framework agreements and our requirements on project quality, we issue acceptance specifications against material procured and construction projects, which mainly cover towers, DAS, shelters or cabinet and power supply equipment.

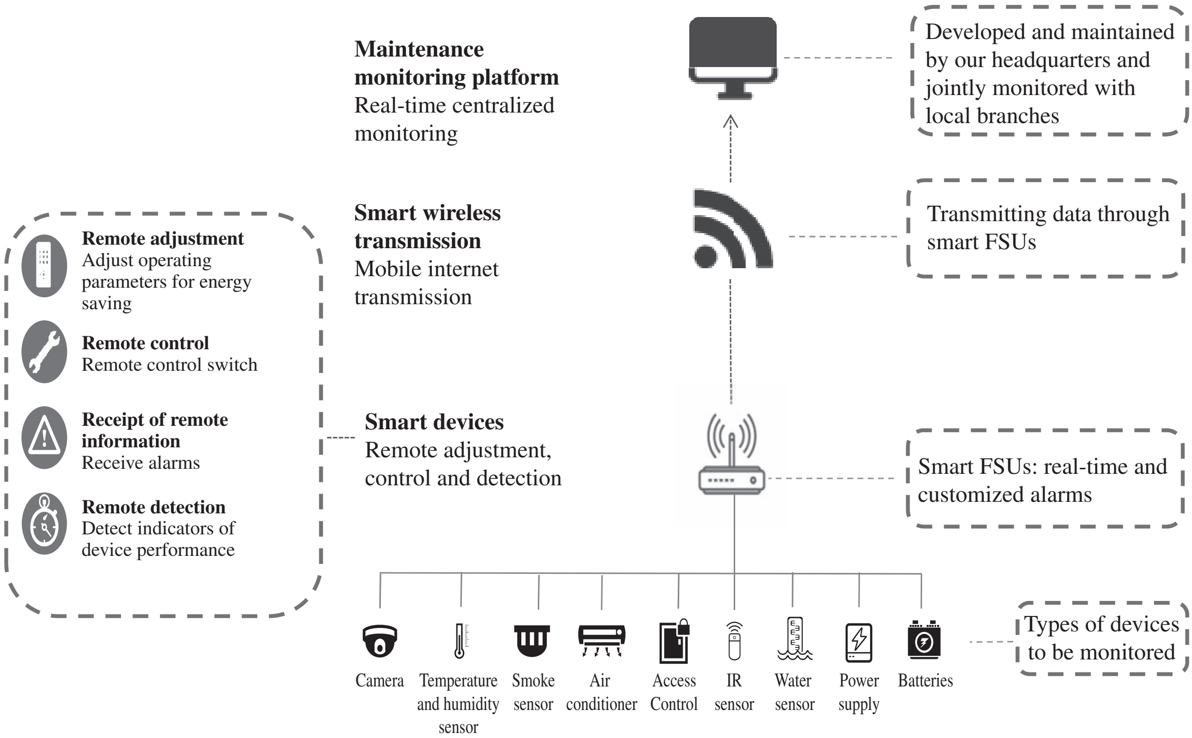
Site Maintenance

Our maintenance work primarily includes breakdown handlings. We build an IT system for breakdown handlings to streamline procedures and increase our maintenance efficiencies. The IT system allows us collect alarms from smart FSUs installed at our sites, send maintenance orders to nationwide field maintenance teams, oversee maintenance work and collect replies of maintenance orders through mobile applications. Apart from breakdown handling, we also provide emergency handling for our customers. We set up emergency handling departments and adopt a number of measures to assist our customers in natural disasters, emergencies and significant public events. As of March 31, 2018, we had 29,735 emergency vehicles and 178,233 gasoline or diesel generators to handle breakdowns and emergencies. As of the Latest Practicable Date, there was no emergency events that had a significant impact on our overall operations in relation to our sites.

While possessing capabilities essential to site maintenance, we outsource on-site maintenance to third parties in order to maintain our operating capabilities and achieve better cost-effectiveness. We establish a number of criteria for selecting third-party maintenance service providers and enter into outsourcing maintenance service agreements with them.

Apart from the above on-site maintenance work, our maintenance staff upkeep site resources and manage property costs using IT systems. Supported by our IT systems, we are capable of (i) upkeeping relationships with property owners and resolving their feedbacks and issues, (ii) managing property lease contacts, ground lease charges and electric power charges, (iii) strictly supervising site demolition and relocation, and (iv) collecting and trimming property data from over two million properties across the PRC. During the Track Record Period, we had increased the renewal rate of our property contracts and accuracy of property data, while complaints from property owners and site disputes had both dropped.

To support our site maintenance, we build our own maintenance monitoring platform and install smart FSUs and sensors at our sites. Various types of sensors are equipped at our sites to collect data reflecting power and environmental changes. And by transmitting such data through our smart FSUs to our maintenance monitoring platform, we are capable of real-time centralized monitoring of our sites. Our maintenance monitoring platform is capable of managing over one million sites and equipping us with visible, manageable and controllable maintenance. The diagram below generally illustrates the structure and process of site monitoring in a single site.



We started compiling the number of monitored sites in April 2016. As of December 31, 2016 and 2017 and March 31, 2018, there were 1,145,490, 1,498,577 and 1,563,618 monitored sites installed with smart FSUs and sensors, respectively. As of March 31, 2018, we had installed smart FSUs and sensors in substantially all sites suitable for remote monitoring. For a small number of sites that cannot be installed with smart FSUs and sensors, we enhance our on-site inspection to ensure smooth operations of our facilities.

OUR CUSTOMERS

Our customers are all based in the PRC, of which the Big Three TSPs are the most important ones. In conducting our TSSAI business, we have customers from different industries such as environmental protection, broadcasting and digital television, satellite positioning, energy, marine and agriculture.

As far as our Directors are aware of, during the Track Record Period, save for our three Telecom Shareholders, neither the Directors, their respective associates, nor any Shareholders who own more than 5% of our issued shares to the best knowledge of the Directors, had any interest in any of our five largest customers.

TSP Customers

We primarily provide our services to the Big Three TSPs. We have entered into relevant agreements in respect of our services provided to the Big Three TSPs, including the Commercial Pricing Agreements, the Supplemental Agreements to the Commercial Pricing Agreements and the Service Agreements. For information on the principal terms of such agreements, see "*Connected Transactions — Principal Services Provided to the Telecom Shareholders — Agreements related to the Principal Services Provided to the Telecom Shareholders*."

During the Track Record Period, our operating revenue derived from the Big Three TSPs accounted for substantially all of our total operating revenue. Therefore, we are exposed to customer concentration risk. See "*Risk Factors — Risks Relating to Our Business and Industry — Our business relies on the Big Three TSPs as customers*."

Customers from different industries

We are engaged in the TSSAI business with customers from different industries. With respect to our TSSAI business, The accumulated number of our customers increased from 281 as of December 31, 2016 to 1,758 as of March 31, 2018, while the number of our tenants increased from 2,169 as of December 31, 2016 to 45,674 as of March 31, 2018. For information on such customers and the volume of such business, see "*— Our Business — TSSAI business with customers from different industries*."

PRICING

The prices for our services are determined with reference to our costs, the pricing mechanism as agreed between us and our major customers, and market prices. For pricing of services in our tower and DAS businesses, our pricing mechanism was determined after arm's length negotiations by the relevant parties during the ordinary and usual course of business of the Company with reference to the construction cost, maintenance cost, site fee, management cost, operating cost, labor cost and appropriate profit margin, as applicable, of each service we provide. For services in TSSAI business, the prices are determined with reference to market prices and through our negotiations with customers.

As operating revenue derived from our macro cell business accounts for a substantial all of our total operating revenue, our pricing policy for services in this business ensures that our operating revenue covers the costs of construction and operation to the most extent in the course of our business. As a result, we are able to maintain an adequate cash flow level and a desirable profit level in supporting a long-term operations of our business.

Pricing for services in tower business and DAS business

The detailed pricing mechanism for use of our site space in tower business and our distributed antenna systems in DAS business are prescribed under the Commercial Pricing Agreements and a Supplemental Agreement to the Commercial Pricing Agreements. Our maintenance service cost, together with various other factors, have jointly constituted the pricing mechanism for tower and DAS business. Furthermore, we charge our customers for extra backup power assurance from our batteries beyond a standard duration and our power generation services. We negotiate with our customers to determine whether to charge a lump sum fee or a fee based on actual cost incurred for such extra services. The details of the pricing mechanism for extra backup power assurance fees are also provided in the Commercial Pricing Agreements and the Supplemental Agreements to the Commercial Pricing Agreements. In addition, transmission service fee is charged according to the actual cost pursuant to the provisions of our transmission products under the Commercial Pricing Agreements and Supplemental Agreements to the Commercial Pricing Agreements.

The above prices reflect certain cost markup. In addition, we offer tenants with co-location discounts based on the number of tenants at an individual site. We provide different co-location discounts on the base prices, site fees and power access fees for tower products and DAS products under the Commercial Pricing Agreements and the Supplemental Agreements to the Commercial Pricing Agreements. In early 2018, we adjusted the pricing mechanism including cost margin and co-location discounts. For details on the pricing for services in relation to our tower products and DAS products, see "*Connected Transactions — Principal Services Provided to the Telecom Shareholders — Agreements related to the Principal Services Provided to the Telecom Shareholders*."

The table below sets out an illustrative example to demonstrate the pricing formula of a hypothetical scenario where a tenant hosting its telecommunications equipment on a ground tower with a mounting height of 30 meters at a self-built ground tower site in a city. The total price for the tenant per year encompasses a base price per year, a lump sum of the site fee per year and a power access fee per year.

	Amount
	(RMB)
Base price per year(1)	34,455
Variables in determining the base price:	
Standard construction cost for the tower	183,433
Standard construction cost for the cabinet	5,915
Standard construction cost for the ancillary power facilities	48,278
Maintenance cost(2)	3,400
A lump sum of the site fee per year(3)	11,000
Power access fee per year(4)	2,205
Total price per year	47,660

Notes:

(1) According to the Service Framework Agreements, the base price is determined with reference to the standard construction cost based on the type of the tower and the mounting height, the years of depreciation for the tower, integrated cabinet and ancillary power facilities in the site and the maintenance cost. The base price is calculated following the formulae = [(standard construction cost of the ground tower / years of depreciation of the ground tower × wind pressure

coefficient + standard construction cost of the integrated cabinet / years of depreciation of the integrated cabinet + standard construction cost of the ancillary power facilities / years of depreciation of the ancillary power facilities) × geographical coefficient × (1 + impairment rate) + maintenance cost] × (1 + cost margin) = [(RMB183,433/10 × 1.0 + RMB5,915/6 + RMB48,278/6) × 1.0 × (1+2%) + RMB3,400] × (1+10%) = RMB34,455.

(2) Assuming the maintenance cost determined according to the market-oriented bidding and procurement results is RMB3,400 per year.

(3) Assuming the lump sum of the site fee determined with reference to the historical site fees for such area is RMB11,000 per year.

(4) Assuming the investment for the power access for this illustrative site is RMB21,000. The power access fee per year is calculated following the formulae = construction cost / years of depreciation × (1 + cost margin) = RMB21,000/10 × (1+5%) = RMB2,205.

In the example above, if an additional tenant co-locates at the same site, the additional tenant enjoys a co-location discount of 30% to the base price and a co-location discount of 40% to the site fee and power access fee, while the anchor tenant enjoys a co-location discount of 35% to the base price and a co-location discount of 45% to the site fee and power access fee. If both of the two tenants start to use the site at the same time, there is no anchor tenant at this tower site and both tenants enjoy a co-location discount of 30% to the base price and a co-location discount of 40% to the site fee and power access fee. If two additional tenants co-locate at the same site, the additional two tenants enjoy a co-location discount of 40% to the base price and a co-location discount of 50% to the site fee and power access fee, while the anchor tenant enjoys a co-location discount of 45% to the base price and a co-location discount of 55% to the site fee and power access fee. If three tenants start to use the site at the same time, there is no anchor tenant at this tower site and the three tenants enjoy a co-location discount of 40% to the base price and a co-location discount of 50% to the site fee and power access fee.

The pricing policy and breakdown items in DAS business are similar to those in tower business. For details of pricing examples in tower and DAS businesses, see "*Connected Transactions — Principal Services Provided to the Telecom Shareholders — Principal terms of the Service Framework Agreements — Pricing policy*."

While applying the pricing mechanism of services in our small cell and DAS businesses stipulated in the Commercial Pricing Agreements and the Supplemental Agreements to the Commercial Pricing Agreements, we also take into consideration the market price and negotiate with the Big Three TSPs.

Pricing for services in TSSAI business

We determine the prices for services in TSSAI business by negotiating with customers with reference to market prices. In determining the prices for such services, we generally take into accounts (i) cost incurred for providing such services; and (ii) our internal benchmark.

Pricing Adjustment in 2018

In early 2018, we entered into the Supplemental Agreements to the Commercial Pricing Agreements with each of China Mobile Company, China Unicom Corporation and China Telecom, pursuant to which certain variables, including cost margin and co-location discounts, used in the standard pricing formula for services in our macro cell business were adjusted with effect from January 1, 2018. See "*Connected Transactions — Principal Services Provided to the Telecom Shareholders — Agreements related to Principal Services Provided to the Telecom Shareholders*."

Cost Margin Adjustment

Before January 1, 2018, we charged our customers a cost margin of 15% for tower business. Pursuant to the Supplemental Agreements to the Commercial Pricing Agreements, we adjusted such cost margin to 10%.

Co-location Discount Adjustment

We offer different discounts to our tenants from the Big Three TSPs who participate in site co-location according to the number of co-located tenants at an individual site. Moreover, we provide an additional 5% co-location discount to the anchor tenant. According to the Supplemental Agreements to the Commercial Pricing Agreements, we adjusted the co-location discounts of the base price. The table below sets out the co-location discounts offered to co-located tenants and the anchor tenant on the base prices under different co-location conditions before and since January 1, 2018.

	Co-location Discounts of the Base Price	
	Before January 1, 2018	**Since January 1, 2018**
Discount for the second tenant when co-located by two tenants	20%	30%
Discount for the second and third tenants when co-located by three tenants	30%	40%
Discount for the anchor tenant when co-located by two tenants	25%	35%
Discount for the anchor tenant when co-located by three tenants	35%	45%

MARKETING

During the Track Record Period, we incurred insignificant expenses for marketing due to the fact that we mainly conducted businesses with the Big Three TSPs. Such businesses were under a demand-driven business model. Generally, we construct our sites and offer our services to the Big Three TSPs by undertaking their coverage demands. Our marketing activities mainly involve participating in exhibitions, advertising campaigns and precision marketing activities for customers in our TSSAI business.

PROCUREMENT AND SUPPLIERS

Procurement

We established an online e-procurement platform that features an e-commerce and "one click to serve nationwide" function (the "**E-procurement platform**"). Our E-procurement platform covers materials and services required in our construction, operation and management. The materials we procure through our E-procurement platform mainly include construction materials for towers and shelters, integrated cabinets, batteries, power access, power distribution boxes, switch-mode power supply, air conditioners, smart FSUs and components of distributed antenna systems. In addition, we primarily procure construction design and field services, including site inspection, survey, supervision, construction and maintenance on sites through our E-procurement platform. For materials and services that are not suitable for purchasing through our E-procurement platform, such as vehicles, supplies for emergency handling purposes, administration services, warehouse services and logistic services, and large-scale construction projects for which the procurement procedures are stipulated under PRC laws and regulations, we conduct procurement through a conventional bidding and quoting process and manage the whole process of such procurement through our IT system.

Our procured materials and services are all provided by our suppliers in China. We have selected a large number of suppliers across China through our E-procurement platform. There are two or more suppliers for each important material or service. In addition, we prudently purchase materials according to site construction orders and manage the storage of backup materials according to our site operations. Historically, we have not experienced any significant shortage or delay in delivery of our procured materials or services. In the meantime, we ensure that our purchase prices are commercially reasonable by comparing the offering prices from our suppliers on the E-procurement platform or through other ways such as bidding, negotiation and seeking quotes.

To prevent corruption in procurement, we separate our procurement personnel from suppliers selection personnel and enter into anti-corruption contracts with our suppliers. We have adopted a variety of procedures including online assessments and scoring. Our transparent suppliers selection procedure is designed to prevent corruption in procurement.

Suppliers

Our suppliers mainly cooperate with us through E-procurement platform. The selection of our E-procurement platform suppliers must go through three steps which includes the certification by the headquarters, the selection by provincial branches and the selection by municipal branches. We use a transparent online tender process to select suppliers based on a variety of factors, including their business scale, product quality and certification, sales and customer service quality, technical capabilities and compliance with national standards and requirements. We enter into procurement framework agreement with the suppliers which normally lasts a year and cooperate with them by issuing procurement orders on a regular basis. Our suppliers provide quality guarantee to their materials and keep our business secrets strictly confidential. When the framework agreement expires, we evaluate the suppliers and determine whether to continue cooperating with them according to the evaluation results. Therefore, we have not signed any long-term strategic cooperation agreement with suppliers. We settle with the suppliers after receipt of invoices, and are granted a credit period on a case by case basis which normally varies from three to six months.

Procurements from our five largest suppliers accounted for approximately 12.9%, 14.5%, 18.2% and 21.4% of our total procurement expenditures and expenses in 2015, 2016 and 2017 and the three months ended March 31, 2018, respectively, while purchases from the largest supplier accounted for approximately 9.4%, 8.3%, 12.4% and 13.7% of our total procurement expenditures and expenses in 2015, 2016 and 2017 and the three months ended March 31, 2018, respectively. Procurement expenditures and expenses represent (i) the addition of property, plant and equipment, land use right and software in our statements of balance sheet on accrual basis, and (ii) site operating lease charges, repairs and maintenance and other operating expenses, which are expensed as incurred and recorded in our statements of comprehensive income on accrual basis. As our suppliers, Telecom Group Companies and their respective associates provide materials, property leasing, telecommunications services as well as design, supervision, construction, maintenance services and power generation services to us and were among the five largest suppliers respectively in 2015, 2016 and 2017 and the three months ended March 31, 2018. In addition, we mainly purchased batteries and telecommunications equipment from other suppliers during the Track Record Period. The telecommunications equipment we purchase from other suppliers are mainly smart FSUs and we do not purchase any telecommunications equipment on behalf of the TSPs.

Procurements from the Telecom Group Companies and their respective associates accounted for approximately 11.4%, 11.1%, 15.3% and 17.5% of our total procurement expenditures and expenses in 2015, 2016 and 2017 and the three months ended March 31, 2018, respectively. For purchases from Telecom Group Companies and their respective associates, see "*Connected Transactions — Other Transactions.*"

The Directors confirm that, as of the Latest Practicable Date, except for the Telecom Group Companies and their respective associates, none of the Directors or their close associates or our existing Shareholders who, to the knowledge of the Directors, owned more than 5% of our issued share capital, had any interest in any of our five largest suppliers.

RESEARCH AND DEVELOPMENT

We have set up our R&D department for independent research and development and established long-term cooperations with external institutions. We have cooperated with several colleges and universities to carry out research and development on towers and shelters. We have also joined in the China Institute of Communications (中國通信學會), China Communications Standards Association (中國通信標準化協會), The Radio Association of China (中國無線電協會), China Association of Communication Enterprises (中國通信企業協會), IMT-2020 (5G) Promotion Group (IMT-2020(5G) 推進組) and International Telecommunication Union (ITU) to jointly promote research and development of new technologies and products of telecommunications tower infrastructure in response to development needs from new technologies, such as 4G, 5G and IoT. In addition, we have set up laboratories jointly with leading telecommunications and information technology companies in PRC as consortiums to carry out R&D for new technologies and products. As of March 31, 2018, we had 151 R&D and technical employees, representing approximately 1.0% of the total number of our employees.

Our research and development involves towers and shelters, DAS, power supply systems, site planning, TSSAI business, focusing on (i) appearances, structures, functions and materials of towers and shelters, (ii) standards and products of shared DAS, (iii) smart control of power supply systems, (iv) coordinated site planning, and (v) research and trials of TSSAI business. As of March 31, 2018, we had (i) established a standardized system for towers and developed new types of towers and shelters; (ii) taken the lead in preparing two DAS industry standards, formed two enterprise standards for passive DAS and optical fiber DAS and developed patented products of omni-directional DAS antenna used for the synchronous coverage of multi-systems and full-band polarized antenna; (iii) established a series of smart FSU products with unified hardware standards, developed switch-mode power supplies and an energy-saving air conditioner for base stations; (iv) established procedures and methods for site planning, facilitated coordinated site plannings in the telecommunications industry and independently developed a site planning system; and (v) completed the research and pilot operations of certain integrated solutions for information services.

We embrace the future trend of development of the telecommunications industry, keep close track on and participate in researching the IoT and 5G technologies. By focusing on new demands for infrastructure brought by the build-out of IoT and 5G networks, we continue to research and develop new products and new solutions and reserve relevant technologies.

INTELLECTUAL PROPERTY RIGHTS

To certain extent, our success depends on our ability to protect our patent technologies and our ability to conduct business without infringing any third party intellectual property rights. As of March 31, 2018, we had 176 patents, including 6 invention patents, 152 utility model patents and 18 design patents. We led in the preparation of 17 industry standards, mainly involving tower, power supply and DAS technology related telecommunications tower infrastructure. As of March 31, 2018, we had 115 trademarks, including “ ” which is of great significance to our operations. As of the Latest Practicable Date, we were not aware of any infringement by us of intellectual property rights owned by third parties, or by any third parties of any intellectual property rights owned by us. In addition, during the Track Record Period, we were not involved in any dispute or legal proceeding in relation to any material claims of infringement, either threatened or pending, of any intellectual property rights initiated by or against us that had a material adverse impact on our business. We mainly rely on a series of patents, trademarks, trade secrets, regulations and rules from government authorities and the Company and relevant requirements for our employees, suppliers and customers to protect our intellectual property rights.

On January 27, 2015, we filed an application for registration of CHINA TOWER 中国铁塔 (the “**Relevant Mark**”) (the “**Application 16239188**”) under category 38 (telecommunication related business) to the Trademark Office and received a notice of rejection by the Trademark Office on June 20, 2016 based on an existing trademark 铁塔 (the “**Registered 38 Trademark**”) registered by a third party. But after our appeal, the Trademark Review and Adjudication Board has preliminarily ruled that “as (1) the Company was well-known and the Relevant Mark is part of the name of the Company and already differentiated itself from the Registered 38 Trademark after constant use and publication, (2) it is unlikely that the public would be confused by the Registered 38 Trademark and the Relevant Mark, and (3) the Relevant Mark is not same or similar to a registered trademark for the same or similar merchandise, the Application 16239188 does not violate Article 33 of the Trademark Law". Accordingly, the Trademark Review and Adjudication Board granted a preliminary approval for Application 16239188 and Application 16239188 entered into the statutory opposition period, which is three months since the preliminary publication. During the opposition period from July 6, 2017 to October 5, 2017, such third party mentioned above filed an opposition to the Trademark Office. We have filed a response to the opposition and are waiting for the Trademark Office's response as at the date of this prospectus.

In addition, we received a letter of demand from the counsel of the third party mentioned above on May 22, 2018, alleging that we infringed its rights on the Registered 38 Trademark demanding us to stop using any name or mark containing "鐵塔" and threatening to bring further actions if we do not "stop infringement." As of the Latest Practicable Date, we had not taken any action responding to such letter of demand, and there had been no legal proceedings filed against us. Currently we are seeking advice from our legal advisors and we will take actions when appropriate, after necessary discussions. As advised by our PRC Legal Advisor, the actions we can take, according to the Trademark Law of the PRC, include (but are not limited to) filing an application to the Trademark Review and Adjudication Board to nullify the Registered 38 Trademark.

We believe that our use of such trademark under the scope of category 38 does not infringe the third party's trademark rights on the following basis: (i) as of the date of this prospectus, there had been no infringement by us of any third party's trademark right as finally adjudicated by any competent authority; (ii) the Trademark Review and Adjudication Board is of the view that such trademark has already differentiated itself from the Registered 38 Trademark; and (iii) our PRC legal advisor is of the opinion that (a) the opposition is a statutory procedure that any third party is able to initiate during the statutory opposition period before a trademark registration application is approved by the Trademark Office. Such opposition doesn't imply any infringement to a third party's trademark right. Since there was no definitive decision on the opposition mentioned above from the Trademark Office yet as at the Latest Practicable Date, such opposition shall not be interpreted as the failure of the Application 16239188. Based on the ruling of the Trademark Review and Adjudication Board mentioned above, it is likely that the Company would prevail in the opposing procedures initiated by the Opposing Party and successfully complete the Application 16239188; (b) as the name of the Company, "中國鐵塔股份有限公司" has already been approved by and registered with the AIC and "中國鐵塔" is part of the Company's name, the Company is entitled to use "中國鐵塔" as the trade name in its business activities; (c) there has been no administrative penalties, litigations or other legal proceedings in relation to intellectual property rights infringement filed against the Company since its establishment up to the Latest Practicable Date; (d) the possibility that using the Relevant Mark is adjudicated by any competent authority as infringement of the trademark right of the Registered 38 Trademark is relatively low; and (e) based on the confirmation and view of the Directors as set out below, the opposition over the Relevant Mark has no material adverse impact on the overall operations of the Company.

The Directors are of the view that the opposition over the Relevant Mark has no material adverse impact on the overall operations of the Company on the following grounds:

- as advised by our PRC legal advisor, we are entitled to use "中國鐵塔" as our trade name, which is part of our full name that was approved by and registered with the AIC;

- there has been no administrative penalties, litigations or other legal proceedings in relation to intellectual property rights infringement filed against us since the establishment of the Company up to the date of this prospectus;

- there has been no infringement by the Company of any third party's trademark right as finally adjudicated by any competent authority;

- the Company has registered the Relevant Mark in Hong Kong and has the legal rights to use it in Hong Kong; and

- the Relevant Mark is not material to the Company because (a) the Company belongs to a very special industry and the customers of the Company are highly professional. Their business relationship with the Company is not dependent on the recognition of any specific trademark or brand name of the Company (including the Relevant Mark), but rather relies on the specific services provided by the Company; and (b) the Company would be able to easily replace the Relevant Mark currently in use on its towers and other products without causing any material adverse impact on its overall operations.

INTEGRATED MANAGEMENT PLATFORM

Our integrated management platform, covers key workflows of our business operations and provides efficient and accurate business data analysis. We are able to extract and filter data, based on its quality, from each sub-system and database regarding our sites, orders, projects, investment cost, revenue, cost, property and expenses in completing constructions, subsequently equiping us with an ability in reliable operation analysis. Key workflows and indicators of substantially all of our sites can be obtained through such operation analysis and displayed on the home page of our intranet interface. Such indicators mainly include signing of orders, delivery of sites, and commencement of site operations, as well as indicators mainly involving business development, project construction and maintenance services. Our integrated management platform not only can generate statements targeting different processes, but can also generate annual reports, monthly reports and weekly reports relating to business operations of local branches. Meanwhile, we push our data analysis down to each of our sites through the platform, so as to check in details of its operation status and subsequently achieve accounting of an individual site.

Our integrated management platform can conduct preliminary big data analysis and income analysis, which can be applied to building income forecast data model, building data cubes, developing analysis criteria library as well as conducting case studies. We plan to combine data collected by our smart FSUs with big data from entities in different industries to conduct big data analysis for operations through our intelligent analysis model, which will help us build customers evaluation models and conduct risk management and precision marketing.

COMPETITION

As we operate our business in the PRC and face no competition from foreign telecommunications tower infrastructure companies, we compete only in the domestic telecommunications tower infrastructure industry. According to the F&S Report, we are in the leading position in China's telecommunications tower infrastructure industry. As of December 31, 2017, our market share in the telecommunications tower infrastructure industry in the PRC was 96.3% in terms of the number of sites. However, our major businesses, namely macro cell, small cell and DAS, face different competitive landscapes in the PRC markets.

We are in the leading position in macro cell business in China's telecommunications tower infrastructure industry. According to the F&S Report, as of December 31, 2017, more than 200 small telecommunications tower infrastructure companies actively participated in the market competition in China. Such companies were mainly engaged in regional business, serving part of the local subsidiaries and branches of the Big Three TSPs. Among such companies, as of December 31, 2017, the largest one had about 17,260 sites and established branches in a number of provincial regions.

The development of our small cell and DAS businesses is mainly dependent on the changes of external demands from the Big Three TSPs. The Big Three TSPs may construct and operate small cell and DAS by themselves or entrust telecommunications tower infrastructure companies to provide such services. Small cell and DAS in China have been mainly built, owned and used by the Big Three TSPs themselves, while a small proportion has been entrusted to telecommunications tower infrastructure companies for construction and operation. According to the F&S report, infrastructure sharing, with the separation of wireless communications network operations and infrastructure service provisioning on the rise, has been observed as an imperative for sustained telecom growth. TSPs seek to achieve infrastructure synergies that would pave the way for lower costs and better service offerings and drive the increase in their external demands for small cell and DAS from us. By consolidating customer demands through co-location and providing integrated service solutions, we have strong capability in site planning and acquisition and are able to offer TSPs small cell and DAS infrastructure in a more cost-efficient and timely manner, particularly in the areas where we have extensive existing site resources, such as subways, high-speed railways, expressways and transportation hubs. We believe that the Big Three TSPs would not compete with our small cell and DAS businesses given that the Big Three TSPs do not operate small cell and DAS infrastructure to generate revenue.

We believe that through our maintenance team, management system, integrated management platform and service experience, we have strong competitiveness in the telecommunications tower infrastructure industry. For details about the competitive risk, see "*Risk Factors — Risks relating to Our Business and Industry — We may not be able to maintain our leading position or compete effectively in the PRC telecommunications tower infrastructure*." For more details about the PRC telecommunications tower infrastructure industry, see "*Industry Overview*."

PROPERTIES

Summary of Properties

Our headquarters office is located in No. 73, Fucheng Road, Haidian District, Beijing, the PRC.

We have certain site properties and general properties in the PRC. Our site properties include (i) owned site properties and (ii) leased site properties/site properties otherwise used by us. Our general properties, which are normally used as warehouses, staff dormitories and offices, include (i) owned general properties and (ii) leased general properties. As of March 31, 2018, we had 1,886,454 sites in operation. The number of our sites corresponds to but does not equal the number of our site properties, primarily because (i) some sites involve multiple properties, and (ii) some sites do not involve any properties because no land parcels or buildings are occupied or used (for instance, through the arrangements with local governments and other entities in expanding the functionality of public utility towers and poles to serve as telecommunication towers, some sites are established on facilities such as lighting poles and utility poles which are not considered to be our properties).

The following table sets out the status of our site properties and general properties as of March 31, 2018.

	Quantity
Site properties	
Owned site properties[1]	443,837
Leased site properties/site properties otherwise used by us	1,855,002
Total of site properties	2,298,839
General properties	
Owned general properties	177
Leased general properties	2,498
Total of general properties	2,675

Note:

(1) Owned site properties include owned land use rights and owned property shelters. Property shelters are brick and concrete structure or steel structure, as opposed to non-property shelters which are integrated shelters, integrated cabinets and shelters made of colour steel plates.

As most of our properties are site properties, which are scattered and small in size, they usually are not marked with their areas when we obtain their title certificates or enter into lease contracts. Among our sites properties, areas of land parcels owned by us are approximately within the range of 50 sq.m. to 100 sq.m. each; areas of property shelters are approximately within the range of 12 sq.m. to 25 sq.m. each; and areas of other site properties are approximately within the range of 15 sq.m. to 100 sq.m. each.

For properties leased from each of the Telecom Group Companies and their respective associates, we have entered into the Property Lease Framework agreement with each of the Telecom Group Companies. See "*Connected Transactions — Property Leasing from Each of the Telecom Group Companies and Their Respective Associates.*"

Property Valuation

Properties which shall be included in a valuation report under Chapter 5 of the Listing Rules do not consist of the towers and non-property shelters in our tower sites since they are not properties under Rule 5.01(3) of the Listing Rules and its note for the following two reasons. Firstly, our towers and non-property shelters are not buildings or their fittings and fixtures under the Listing Rules as (i) for those towers and non-property shelters as part of our ground tower sites, they are movable and therefore are not buildings which are non-movable and the removal of which will substantially demolish their value; and (ii) for those towers and non-property shelters as part of our rooftop tower sites, they are not integral parts of such buildings given they are movable and the removal of them will not affect the functionality of buildings. Therefore, they are different from, and are not, fittings and fixtures. Secondly, under the Property Law of the PRC, properties are categorized into real properties and movable properties, and properties under the Listing Rules are understood to have similar meanings as "real properties" under PRC laws. As towers and non-property shelters are movable and the removal of them will not substantially demolish their value, they are categorized as movable properties instead of real properties under applicable PRC laws.

As of March 31, 2018, in terms of book value, there was no single property with a book value reaching or exceeding 15% of our total assets. Accordingly, we are exempt from compliance with the requirements of inclusion of a valuation report in this prospectus in respect of our interests in all lands or buildings according to Chapter 5 of the Hong Kong Listing Rules and in relation to paragraph 34(2) of Schedule 3 to the Companies (Winding Up and Miscellaneous Provisions) Ordinance as required under section 342 (1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Protections from Regulations and Policies

Our properties are spread across all regions in the PRC and most of them are used as sites. As part of wireless communications network infrastructure, our sites serve not only general public's livelihood, but also are vital in implementing the "Cyber Power" strategy by the PRC government. Therefore, our sites and their relevant properties are protected by regulations and policies of the PRC government.

The Measures for the Management of Telecommunications Construction and the Telecommunications Regulations as amended by the State Council on July 29, 2014 and February 6, 2016 provide that the safety of telecommunications infrastructure is protected by laws and regulations, and no individuals or entities may alter or move telecommunications lines and other telecommunications facilities without permission.

In addition, in accordance with Circular [2017] No. 234, (i) for the sites to be established, the government shall include the sites into relevant planning to enhance the protection of land use for sites, which will facilitate our obtaining of title certificates for such sites; (ii) for the existing sites, the government shall acknowledge the historical underlying circumstances for the property title issues and adopt appropriate measures to facilitate the rectification of the historical issues gradually; and (iii) the government will facilitate the rectification of the property title issues, take cautious measures to deal with such issues step by step, and establish a long-term mechanism to support the development of telecommunications network and telecommunications infrastructure.

In practice, the relevant regulations and policies have facilitated the rectification of the property title issues and promoting settlement in our favour in an event of dispute: (i) according to Circular [2017] No. 234, the government will gradually include our sites into relevant planning which will facilitate us in obtaining title certificates for sites to be established as well as the existing sites; (ii) according to Circular [2017] No. 234, relevant local administrations shall facilitate our rectification of property title issues by adopting simplified procedures. For example, when applying for title certificates for the existing sites, we may be permitted to skip certain pre-procedures such as pre-examination of the land for construction; (iii) if property title issues or lease disputes have led to administrative hearings, lawsuits or arbitrations, we may submit the government regulations and policies to administrations, courts or arbitral panels, and endeavor to reach settlement or mediation with the support of such regulations and policies; (iv) we will use the government regulations and policies to protect our sites against challenges without ground, and report any criminal activities against the safety of our sites to the police in accordance with such regulations and policies.

Apart from the support of regulations and policies from central government, as of March 31, 2018, 26 provincial-level governments, had successively issued normative documents for the construction, protection and management of public telecommunications infrastructure. We have also been liaising with local governments to include our sites into local urban-rural development planning, thereby further (i) supporting the operations of our sites to be in compliance with applicable laws and regulations as well as (ii) facilitating our obtaining of title certificates and rectifying property title issues. As of March 31, 2018, more than half of the county-level governments in the PRC, involving 30 out of 31 provincial-level administrative divisions had included our tower sites in their jurisdictions into, and under the management of, their urban-rural development planning. We are liaising with other local governments to include our sites in their jurisdictions into their local urban-rural development planning.

Types and Status of Our Properties

Site Properties

As of March 31, 2018, we had 2,298,839 site properties, of which:

(i) 26,439 owned site properties with title certificates, accounting for 1.2% of the total number of our site properties, including land use rights assigned or authorized and owned property shelters. Our PRC Legal Advisor is of the view that we may occupy and use such properties within the time period as indicated in the title certificates.

(ii) 265,054 leased site properties with lease contracts and the lessors of which had provided title certificates or sublease rights documents, accounting for 11.5% of the total number of our site properties. Our PRC Legal Advisor is of the view that we may occupy and use such properties within the time period as indicated in the lease contracts.

(iii) 2,007,346 relevant site properties, accounting for 87.3% of the total number of our site properties. To clearly express the status of relevant site properties and legal opinions of our PRC Legal Adviser, we categorize the relevant site properties as relevant site properties owned by us and relevant site properties leased/otherwise used by us. The subcategories of the relevant site properties, numbers based thereon, the percentages to the total number of site properties and the legal opinions of our PRC Legal Advisor are set out in the following table.

Relevant Site Properties Owned by Us

Subcategories	Numbers	Percentages to the Total Number of Site Properties	Legal Opinions of Our PRC Legal Adviser
Allocated land parcels with title certificates and, land use rights and property shelters transferred from the Telecom Shareholders and Telecom Group Companies without completing change of registered name of property owners	32,691	1.4%	(i) We had obtained the title certificates for the allocated land parcels and were entitled to occupy and use such land parcels during the period as indicated in the title certificates. In addition, the Telecom Shareholders and Telecom Group Companies had obtained the title certificates for the land use rights and property shelters transferred to us and all rights and obligations were assigned to us pursuant to the Tower Asset Acquisitions. Therefore, the possibility of any third party claiming the rights to use such properties is relatively low. The possibility of us being involved in disputes or legal proceedings or unable to use such properties is relatively low. We have established and taken rectification measures in response to our property title issues. Our local branches have proactively approached the government authorities for name changes of such title certificates, with the support from local subsidiaries of the Telecom Shareholders and Telecom Group Companies. For details for our rectification measures, see "*— Properties — Property compliance*." (ii) Pursuant to the Circular [2017] No. 234, not completing change of registered name of property owners would not have any material adverse impact on our occupation and use of such properties, and we may continue to occupy and use such properties. (iii) There are no substantive legal obstacles for completing change of registered name of property owners regarding such properties, provided that we have duly submitted the documents and materials required by the PRC laws and the government authorities and relevant fees are fully paid. Therefore, our PRC Legal Adviser is of the view that the title issues of such properties would not have any material adverse impact on our overall operations.

Subcategories	Numbers	Percentages to the Total Number of Site Properties	Legal Opinions of Our PRC Legal Adviser
Property shelters without completing title registration	384,707	16.7%	(i) Such property shelters are ancillary facilities of our principal operations and are of no value for independent use. (ii) The risk of large-scale demolition and relocation or administrative penalties simply because of the failure to obtain the title certificates is relatively low, due to their large number, nationwide distribution, small area per site as well as low construction cost and economic value. (iii) We can identify other measures to accommodate the ancillary equipment for a specific site. Therefore, our PRC Legal Advisor is of the view that (i) we may continue to occupy and use such properties and (ii) the title issues of such properties will not have any material adverse impact on our overall operations.

Relevant Site Properties Leased / Otherwise Used by Us

Subcategories	Numbers	Percentages to the Total Number of Site Properties	Legal Opinions of our PRC Legal Advisor
Properties with lease contracts but the lessors of which were unable to provide title certificates or sublease rights documents	674,916	29.4%	(i) We may continue to occupy and use such properties within the time period as indicated in the lease contracts. (ii) If a third party raises an objection, our occupation and use of such properties may be affected, but we may, based on contractual relationships, take an action against the lessors for breach of contract and claim damages from the lessors in accordance with their letters of undertaking. We will use reasonable efforts to seek for alternatives if we cannot continue to occupy and use such properties. Therefore, our PRC Legal Adviser is of the view that the title issues of such properties will not have any material adverse impact on our overall operations.

Subcategories	Numbers	Percentages to the Total Number of Site Properties	Legal Opinions of our PRC Legal Advisor
Properties without lease contracts and located in places such as barren hills, gobi and deserts, without appropriate counterparty to sign lease contracts	94,829	4.1%	Taking the Telecommunications Regulations, the Measures for the Management of Telecommunications Construction and Circular [2017] No. 234 into consideration, (i) we may continue to occupy and use such properties, and (ii) the risk that such properties are demolished in a large scale is relatively low. Therefore, our PRC Legal Adviser is of the view that the title issues of such properties will not have any material adverse impact on our overall operations.
Properties the leases of which were assigned by the Telecom Shareholders and Telecom Group Companies to us without completing the change of lessees.	41,856	1.8%	The Telecom Shareholders and Telecom Group Companies had entered into lease agreements with lessors and all the rights and obligations thereunder had assigned to us according to the Tower Asset Acquisitions. We are not a contracting party to these lease agreements. However, the lessors have rights to request the Telecom Shareholders and Telecom Group Companies or us to pay for the rents and relevant fees. We assume the obligations of paying such outstanding rents and relevant fees and make such payment to the lessors through the Telecom Shareholders and Telecom Group Companies, and may continue to occupy and use these properties pursuant to the aforesaid lease agreements. If we enter into a new agreement or supplementary agreement with the property's owner or any third party with legitimate rights, we will be able to continue to occupy and use these properties pursuant to such agreement. Therefore, our PRC Legal Adviser is of the view that the risks that the title issues of such properties will have a material adverse impact on our overall operations are relatively low.

Subcategories	Numbers	Percentages to the Total Number of Site Properties	Legal Opinions of our PRC Legal Advisor
Properties without lease contracts and for which we (i) can use for free for reasons such as urban-rural development planning or provision by the government, operators and public agencies for free use, or (ii) were deemed to have established de facto lease relationship through acts (such as rental payment) even without signing lease contracts	544,775	23.7%	(i) We may continue to occupy and use such properties. (ii) In the event that the property's provider, the owner or any third party with legitimate rights requests to enter into a lease agreement or any paid arrangement with us, we may decide, based on our business needs, costs and the availability of alternatives near such properties, whether to continue to occupy and use such properties and whether to enter into a lease agreement or any paid arrangement for such properties. Therefore, our PRC Legal Adviser is of the view that The risks that legal disputes or litigations will arise from continued occupation and use of such properties are relatively low.
Properties under our de facto occupation and use without documentary evidence of lease	233,572	10.2%	We had de facto occupation and use of such properties per the status quo. For such properties, the property provider, the owner or any third party with legitimate rights may request us to re-sign the lease contracts or use such properties for certain consideration in the future. However, we will then decide whether to continue to occupy and use such properties and enter into lease contracts based on our business needs. After agreeing with them, we may continue to occupy and use such properties.

There is no direct connection between the revenue and profit attributable to the relevant site properties and the property title issues of such relevant site properties on an aggregate basis for the following reasons: (i) most of our sites are scattered independently from each other, and it is unlikely that a large number of disputes, arbitrations or litigations or material administrative penalties will arise from the property title issues of such relevant site properties; (ii) no single relevant site property is considered material to us; (iii) from our incorporation in 2014 to March 31, 2018, only 78 sites had been demolished, were being demolished or were to be demolished as a result of the litigations or arbitrations in relation to property title issues or lease disputes; (iv) the property title issues have never had any material adverse impact on our operations and business development; (v) the TSPs have been using the sites with such relevant site properties since the commencement of our substantial operation with ongoing business relationship; and (vi) all major customers have turned to our operation of sites for their business, and we have also maintained sound and long-term relationships with those customers.

General Properties

Owned General Properties

As of March 31, 2018, we had 177 owned general properties, of which:

(i) 169 with title certificates, accounting for 95.5% of the total number of our owned general properties, with a total area of 17,230 square meters. Our PRC Legal Advisor is of the view that we may occupy and use such properties within the time as indicated in the title certificates.

(ii) 8 in the process of executing their purchase agreements and obtaining their title certificates, accounting for 4.5% of our owned general properties, with a total area of 44,496 square meters. Our PRC Legal Advisor is of the view that there is no substantive legal obstacles for obtaining the title certificates, provided that we have duly submitted the documents and materials required by competent government authorities and relevant tax and fees are fully paid.

Leased General Properties

As of March 31, 2018, we had 2,498 leased general properties, of which:

(i) 1,603 with lease contracts and the lessors of which had provided title certificates or documentary evidence of sub lease or lease authorization from property owners, accounting for 64.2% of the total number of our leased general properties, with a total area of 573,978 square meters. Our PRC Legal Advisor is of the view that we may continue to occupy and use the properties within the time period as indicated in the contracts.

(ii) 895 of which the lessors were unable to provide title certificates or sublease rights documents, accounting for 35.8% of the total number of our leased general properties, with a total area of 400,882 square meters. Our PRC Legal Advisor is of the view that (i) we may continue to occupy and use such properties before any third party raises objections, (ii) if a third party raises an objection, our occupation and use of such properties may be affected, but we may, based on the contractual relationships, take an action against the lessors for breach of contract and claim damages from some of the lessors in accordance with their letters of undertaking, and (iii) the title issues of such properties will not have any material adverse impact on our overall operations.

Property Compliance

We have taken the following rectification measures in response to our property title issues: (i) setting out the requirements and guidances for entering into site lease contracts clearly in our internal rules on contract management and site management; (ii) establishing IT systems to better collect, manage and monitor the information and data related to title certificates and lease agreements in relation to widely dispersed site properties, and setting up an information management committee to centralize internal coordination among different departments and local branches across the PRC with an aim to ensure the accuracy and consistency of our operational data and coordinate to resolve key issues in relation to such data; (iii) obtaining government support and policies favorable to our operations; (iv) launching the initiative to collect data on property title status and improving, among other things, the management and internal control in relation to property titles; and (v) including the rectification work in our KPIs for evaluating the performance of each branch and setting up a special award to encourage each branch to complete rectification measures concerning site properties. We continuously improve our internal control system on the management of property titles on top of the existing internal rules and IT systems. Going forward, we will establish a long-term mechanism for property title management by, among other things, continuing to rectify the lack of titles, clearly setting out work allocation and responsibilities for each department, and evaluating the performance of rectification work through KPIs. In addition, the Telecom Shareholders and the Telecom Group Companies have also provided support for our collection of property title status. They collected information of property title status on the towers and related assets and passed them to us during the asset acquisitions in 2015, which provided a solid foundation for us to take further steps to deal with our property title issues. Due to the implementation of the above measures, we expect that we will continue to make progress in rectifying our property title issues.

Our Directors are of the view that the title issues of the properties disclosed above will not individually or jointly have any material adverse impact on our business and operations, as (i) no single site property is considered material to us in terms of both book value and revenue contribution, given that (a) the largest tower site and 30 largest tower sites, in terms of revenue contribution, accounted for less than 0.002% and 0.05% of our operating revenue in 2017, respectively, and (b) the book value of these sites accounted for less than 0.0002% and 0.005% of our total assets as of March 31, 2018, respectively; (ii) as part of the wireless communications network, our site properties serve both national strategies and general public's livelihood, and are protected by regulations and policies of the PRC; (iii) most of our site properties had been in use before Tower Asset Acquisitions. Hence it is unlikely that any large-scale demolition of our sites or material administrative penalties would arise from the title issues, or any material title or ownership disputes would arise therefrom; (iv) our sites are scattered nationwide in the PRC and the towers and related assets are re-usable after demolition; (v) as of the Latest Practical Date, there have been no material litigations, arbitrations and administrative penalties arising from property title issues or lease disputes and few demolitions of our sites since incorporation due to property title issues; and (vi) given we are the only nationwide telecommunications tower infrastructure service provider in the PRC with leading market position, all major customers have turned to our operation of sites for their business, and we have also maintained sound and long-term relationships with such customers.

As of March 31, 2018, 78 sites, which accounted for less than 0.005% of the total number of our sites, had been demolished, were being demolished or were to be demolished as a result of litigations or arbitrations due to property title issues or leased disputes. For sites where demolition and relocation were required, we usually received notices from our maintenance staff or providers of properties in advance, which allowed us to look for alternatives to host equipment from our customers. Therefore, such demolition and relocation work, which took shorter duration, would not have a material adverse impact on our customers. We believe that (i) the possibility of a large scale of demolition and relocation of our site properties is relatively low due to their wide distribution across the PRC; (ii) even though a few of our site properties are required to be demolished or relocated due to property title issues going forward, we will still be informed ahead of time by our maintenance staff or property providers and will be able to identify alternatives promptly; and (iii) our general properties are small in number, low in economic value and highly replaceable. Furthermore, while the unmovable structures at our sites, mainly including shelters made of brick and concrete, may be demolished, our towers and certain other assets, for example, integrated shelters and integrated cabinets, can be dismantled and reassembled at alternative sites. Therefore, the demolition and relocation and the relevant fees will not have any material adverse impact on our overall operations. Meanwhile, our PRC Legal Advisor is of the view that the possibility of general or large-scale demolition and relocation of sites due to title issues is relatively low.

Except for site properties under our de facto occupation and use without documentary evidence of lease, we are not aware of any difference in land cost or rental by us if other properties did not have title issues. We believe that, due to the small number and low economic value of such site properties, any land cost or rental by us that we might incur for rectifying their titles will not have any material adverse effect on our overall operations.

ENVIRONMENTAL MATTERS

The industry that we compete in is not highly polluting, and our businesses are mainly related to macro cell, small cell, DAS and TSSAI. However, we believe that environmental protection is an important social responsibility to us. Therefore, we attach great importance to the establishment of environmental protection system and implementation of environmental protection measures in the ordinary course of business. Our operations are required to be in compliance with the relevant environmental protection laws and regulations. For details, see "*Appendix IV — Regulatory Environment*." We are committed to complying with the PRC regulations relating to environmental protection. In cases where we are entrusted by the Big Three TSPs, we would provide assistance to them in completing and filing of the corresponding environmental impact registration forms and handling any environmental protection related matters in a timely manner.

According to the requirements of relevant regulatory documents of the PRC, we are only required to perform the obligation of filing the environmental assessment. Firstly, according to the Law of Environmental Impact Assessment (《環境影響評價法》) and the List of Administrative Categories of Environmental Impact Assessment for Construction Projects (《建設項目環境影響評價分類管理名錄》), all environmental impact registration form of wireless communications projects are required to be filed. Secondly, we have signed the Working Memorandum of Environmental Protection for Telecommunication Base Stations (《通信基站環境保護工作備忘錄》) (the "**Working Memorandum**") jointly with the Ministry of Environmental Protection, the MIIT, CMCC Group, CUC Group and CTC Group on October 26, 2017. According to the Working Memorandum, TSPs are the owners of the antenna devices and their telecommunications base stations are the sources of electromagnetic environmental impact. Therefore, TSPs are obliged to complete the filings of environmental impact registration form in accordance with the law. For telecommunications base stations with antennas installed at our sites, TSPs have in principle made a unified written entrustment to us for the filings of the environmental impact registration form. But in the event of a breach in the relevant provisions of the Administrative Measures for the Filing of Environmental Impact Registration Form for Construction Projects (《建設項目環境影響登記表備案管理辦法》), the Big Three TSPs that owned the antennas shall be liable for legal responsibilities.

During the Track Record Period, our business activities were in compliance with relevant environmental protection requirements, and we had not been subject to any material administrative penalties due to violation of any laws, regulations or regulatory documents relating to environmental protection. Our cost incurred in respect of compliance with environmental protection laws and regulations was negligible. Our Directors do not expect our continued cost incurred for the compliance with environmental laws and regulations to increase substantially.

HEALTH AND SAFETY MATTER

We are subject to the Production Safety Law of the People's Republic of China (《中華人民共和國安全生產法》), the Labor Law of the People's Republic of China (《中華人民共和國勞動法》) and other relevant laws, regulations and standards, which provide provisions on the maintenance of safe production conditions and the protection of employees' occupational health. According to such provisions, an entity with any facility or equipment failing to guarantee production safety shall not engage in production and business operations. Entities operating in China must provide employees with production safety education and related training as well as a safe working environment. The design, manufacturing, installation, use, inspection and maintenance of production facilities and equipment must meet applicable national or industry standards.

We have implemented safety measures in each of our sites and other related areas to ensure compliance with applicable regulatory requirements and to minimize the risk of injury of our employees. We provide certified professional qualifications and regular training for our employees. We believe that we have complied with applicable laws and regulations on health and safety in all material aspects, and have not experienced any material incident in our operations, or involved in any material claims for personal or property losses or any compensation related to the health or safety of our employees or dispatched workers.

INSURANCE

The relevant laws and regulations of the PRC have no national mandatory provisions prescribing that telecommunications tower infrastructure service providers must purchase insurance for their telecommunications tower infrastructure. We contribute to social security insurance schemes for our employees in compliance with applicable PRC laws, rules and regulations. We also purchase personal accident and injury insurance for our employees. We have not purchased any business disruption insurance or any property insurance for our assets. As of the Latest Practicable Date, the Directors were of the view that our scope of business insurance was sufficient and in compliance with industry practice.

During the Track Record Period and up to the Latest Practicable Date, we had not made or been required to make any insurance claims that are material in nature.

LICENSES AND REGULATORY PERMITS

We operate business only in China and are subject to relevant PRC laws and regulations. We are required to hold or renew all necessary business licenses to conduct business. Our Directors have confirmed that, during the Track Record Period and up to the Latest Practicable Date, we had complied with applicable regulatory requirements and guidelines in the jurisdictions where we operated in all material respects, and obtained the business licenses necessary for our operations in accordance with the laws and regulations in the jurisdictions where we operated. As advised by our PRC legal advisor, there were no material legal obstacles in renewing such qualifications, permits and approvals.

As of March 31, 2018, we were license holders for the Basic Telecommunications Business Operation License (domestic telecommunications facilities service business) (基礎電信業務經營許可證(國內通信設施服務業務)) and the Value-added Telecommunications Business Operation License (web hosting) (增值電信業務經營許可證(網絡託管)) issued by the MIIT for a valid term until December 31, 2020 and November 11, 2020, respectively.

EMPLOYEES

As of March 31, 2018, we had 14,984 employees. The following table sets out the number of our employees by function as of the dates indicated.

	As of December 31,			As of March 31,
	2015	2016	2017	2018
Management	2,536	2,556	2,775	2,872
Operations and Development	1,514	1,695	1,689	1,787
Construction and Maintenance	6,065	7,506	7,731	7,532
Administration and Others	2,173	2,588	2,812	2,793
Total	**12,288**	**14,345**	**15,007**	**14,984**

We generally entered into standard employment contracts with our employees. The compensation packages of our employees may include one or more of the following components: basic salary, performance remuneration and year-end awards. We provide employees with various types of social insurance benefit schemes, including housing provident fund, pension insurance, medical insurance, work-related injury insurance, maternity insurance and unemployment insurance. We have labor unions in our headquarters. Our PRC Legal Advisor has confirmed that, during the Track Record Period, we had not been involved in any material labor disputes or labor related legal proceedings.

We emphasize recruiting, training and retaining our employees, maintain high recruitment standards and provide competitive compensation packages. We also provide in-house and external training related to management and professional skills and knowledge. We establish a training system based on the job responsibilities, expertise, know-how, operational skills, and knowledges in management, operations and other aspects.

RISK MANAGEMENT AND INTERNAL CONTROL

We have engaged an independent third party consultant to perform reviews over selected areas of our internal controls over financial reporting in January, March and May 2018 respectively. The scope of such reviews performed by our consultant was agreed by us and the Joint Sponsors. The selected areas of the our internal controls over financial reporting reviewed by our consultant included (i) entity-level controls, including general controls over information technology, and (ii) certain business process level controls, such as revenue and receivables, purchases and payable, construction engineering management, operation and maintenance, human resources, property and equipment, financial reporting, payroll and tax. Such reviews were conducted based on information provided by us and no assurance or opinion on internal controls was expressed by the our internal control consultant.

Our consultant has discussed their findings with us during the course of their review and there were no unremediated findings when they completed their final review in May 2018.

Based on the advice provided by our internal control consultant after a comprehensive review of our internal control system, we have formulated a set of comprehensive risk management policies and measures to identify, assess and control the risks arising from our business operations. We have established a set of internal control and risk management procedures to address various potential operating, financial, legal and market risks found in our operations, including but not limited to procurement management, project management, maintenance management, research and development management, connected parties transaction control, information disclosure control, human resources, information technology management and various other financial and operational monitoring and supervision procedures. Such risk management policies contain procedures for the level of the relevant reporting of risks identified in our operations. The Board is responsible for overseeing overall risk management. The Directors consider that our existing internal control measures are adequate and effective.

LEGAL PROCEEDINGS AND COMPLIANCE

We may be involved in certain legal proceedings and claims during the ordinary course of our business, mainly including site-related disputes such as leased property, site demolition and relocation and site infringement. As of the Latest Practicable Date, we were (i) not involved in any ongoing proceedings, arbitrations or administrative proceedings, and (ii) not aware of any claims or proceedings contemplated by any government authorities or third parties, which may have any material adverse effect on our business.

Having considered the extent of relevance of all matters to our business activities, and the impacts on our business, operating results and financial position, our Directors, after consulting our PRC counsel, confirm that except as disclosed in this prospectus, we have complied with applicable laws and regulations in all material respects. In addition, after having consulted our PRC counsel, our Directors confirm that we have obtained the necessary licenses, approvals and permits that are of great significance to our business operations.

OVERVIEW

Upon the Listing, the directors (including persons who were directors in the last 12 months), supervisors and the chief executive of the Company and their respective associates will become our connected persons.

As of the Latest Practicable Date, each of China Mobile Company, China Unicom Corporation, and China Telecom directly held 38.0%, 28.1% and 27.9% of our share capital, respectively. Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), each of China Mobile Company, China Unicom Corporation, and China Telecom will remain as our substantial shareholders. Therefore, China Mobile Company, China Unicom Corporation and China Telecom and their respective associates will become our connected persons upon the Listing.

China Mobile Company is a wholly-owned subsidiary of China Mobile, which is indirectly and ultimately controlled by CMCC. China Unicom Corporation is a wholly-owned subsidiary of China Unicom, which is ultimately controlled by CUC through China Unicom Group Corporation (BVI) Limited, China Unicom A Share Company and China Unicom (BVI) Limited. China Telecom is a non-wholly owned subsidiary of CTC. See "*History and Development — Our Shareholding Structure — Shareholding structure immediately following completion of the Global Offering*" for more information of the shareholding structures of CMCC Group, CUC Group and CTC Group.

The Company has conducted certain transactions with the above entities and their associates that will become our connected persons upon the Listing in its ordinary course of business in the past, and these transactions are expected to continue after the Listing and will therefore constitute our continuing connected transactions under the Hong Kong Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

Summary of our continuing connected transactions

No.	Nature of Transactions	Relevant Listing Rules	Waiver Sought
	PRINCIPAL SERVICES PROVIDED TO THE TELECOM SHAREHOLDERS		
1.	Principal services provided to China Mobile Company and its subsidiaries (1) service in relation to tower products[1] (2) service in relation to DAS products[2] (3) service in relation to transmission products[3]; and (4) service in relation to service products[4]	14A.35, 14A.36 and 14A.53	Waiver from strict compliance with announcement, independent Shareholders' approval and annual caps requirements
2.	Principal services provided to China Unicom Corporation (1) service in relation to tower products[1] (2) service in relation to DAS products[2] (3) service in relation to transmission products[3]; and (4) service in relation to service products[4]	14A.35, 14A.36 and 14A.53	Waiver from strict compliance with announcement, independent Shareholders' approval and annual caps requirements

Notes:

(1) Service in relation to tower products refers to providing (1) site space; (2) maintenance services; and (3) power access and backup power assurance from batteries within standard duration under power services of the macro cell business and small cell business as described in "*Business*."

(2) Service in relation to DAS products refers to providing (1) indoor distributed antenna system, (2) backup power assurance from batteries within standard duration, and (3) maintenance services under the DAS business as described in "*Business*."

(3) Service in relation to transmission products refers to the transmission service under other businesses as described in "*Business*."

(4) Service in relation to service products mainly refers to the power services under tower business (but not including the power access and backup power assurance from batteries within standard duration as described in Note (1) above) as described in "*Business*."

No.	Nature of Transactions	Relevant Listing Rules	Waiver Sought
3.	Principal services provided to China Telecom (1) service in relation to tower products[1] (2) service in relation to DAS products[2] (3) service in relation to transmission products[3]; and (4) service in relation to service products[4]	14A.35, 14A.36 and 14A.53	Waiver from strict compliance with announcement, independent Shareholders' approval and annual caps requirements

OTHER SERVICES PROVIDED TO THE TELECOM SHAREHOLDERS

4.	Other services provided to China Mobile Company and its subsidiaries	14A.76 *de minimis* transactions	Fully exempt
5.	Other services provided to China Unicom Corporation	14A.76 *de minimis* transactions	Fully exempt
6.	Other services provided to China Telecom	14A.76 *de minimis* transactions	Fully exempt

PROPERTY LEASING FROM EACH OF THE TELECOM GROUP COMPANIES AND THEIR RESPECTIVE ASSOCIATES

7.	Property leasing from CMCC and its associates	14A.35	Waiver from strict compliance with announcement requirement
8.	Property leasing from CUC and its associates	14A.35	Waiver from strict compliance with announcement requirement

No.	Nature of Transactions	Relevant Listing Rules	Waiver Sought
9.	Property leasing from CTC and its associates	14A.35	Waiver from strict compliance with announcement requirement

NON-TELECOMMUNICATIONS SERVICES PROVIDED BY EACH OF THE TELECOM GROUP COMPANIES AND THEIR RESPECTIVE ASSOCIATES

CONSTRUCTION, DESIGN, SUPERVISION, OUTSOURCING MAINTENANCE, INTERMEDIARY, SUPPLY CHAIN AND TRAINING SERVICES PROVIDED BY EACH OF THE TELECOM GROUP COMPANIES AND THEIR RESPECTIVE ASSOCIATES

No.	Nature of Transactions	Relevant Listing Rules	Waiver Sought
10.	Construction, design, supervision, outsourcing maintenance, intermediary, supply chain and training services provided by CMCC and its associates	14A.35	Waiver from strict compliance with announcement requirement
11.	Construction, design, supervision, outsourcing maintenance, intermediary, supply chain and training services provided by CUC and its associates	14A.35	Waiver from strict compliance with announcement requirement
12.	Construction, design, supervision, outsourcing maintenance, intermediary, supply chain and training services provided by CTC and its associates	14A.35 and 14A.36	Waiver from strict compliance with announcement and independent Shareholders' approval requirements

LOANS PROVIDED BY CMCC GROUP

No.	Nature of Transactions	Relevant Listing Rules	Waiver Sought
13.	Loans provided by CMCC Group	14A.90	Fully exempt

TELECOMMUNICATIONS SERVICES PROVIDED BY EACH OF CMCC GROUP, CUC GROUP AND CTC GROUP

No.	Nature of Transactions	Relevant Listing Rules	Waiver Sought
14.	Telecommunications services provided by CMCC Group	14A.97	Fully exempt
15.	Telecommunications services provided by CUC Group	14A.97	Fully exempt

No.	Nature of Transactions	Relevant Listing Rules	Waiver Sought
16.	Telecommunications services provided by CTC Group	14A.97	Fully exempt

PROCUREMENTS OF MATERIALS FROM EACH OF THE TELECOM GROUP COMPANIES AND THEIR RESPECTIVE ASSOCIATES

No.	Nature of Transactions	Relevant Listing Rules	Waiver Sought
17.	Procurement of materials from CMCC and its associates	14A.76 *de minimis* transactions	Fully exempt
18.	Procurement of materials from CUC and its associates	14A.76 *de minimis* transactions	Fully exempt
19.	Procurement of materials from CTC and its associates	14A.76 *de minimis* transactions	Fully exempt

PRINCIPAL SERVICES PROVIDED TO THE TELECOM SHAREHOLDERS

The Company provides relevant services of tower products, DAS products, transmission products and service products (the "**Relevant Products**") to each of the Telecom Shareholders and their respective branches/subsidiaries.

Agreements related to the Principal Services Provided to the Telecom Shareholders

Service Framework Agreements

The Commercial Pricing Agreements, the Supplemental Agreements to the Commercial Pricing Agreements and the Service Agreements entered into between the Company and each of the Telecom Shareholders constitute the framework agreements of the Company currently effective at the headquarters level regulating the Principal Services Provided to the Telecom Shareholders.

Background of the above agreements is as follows:

- **Commercial Pricing Agreements and the Supplemental Agreements to the Commercial Pricing Agreements**

On July 8, 2016, the Company entered into a Commercial Pricing Agreement with each of the Telecom Shareholders, which set out the pricing mechanism for the Relevant Products and replaced any previous arrangements on the Relevant Products and their pricing. In accordance with the Commercial Pricing Agreements, the service term of the acquired towers delivered before the date of the Commercial Pricing Agreements shall be deemed to commence on November 1, 2015, with the pricing provided under the Commercial Pricing Agreements becoming effective on the same date. For the products constructed by the Company prior to the date of the Commercial Pricing Agreements, the services commenced on the date confirmed by the branches/subsidiaries of the parties with the pricing determined in accordance to the Commercial Pricing Agreements retrospectively.

The Company entered into a Supplemental Agreement to the Commercial Pricing Agreement with each of the China Mobile Company and China Unicom Corporation on January 31, 2018 and with China Telecom on February 1, 2018, which mainly set out the following adjustments:

(1) cost margin for the tower products was adjusted to 10% from 15%;

(2) co-location discounts to the base price of the tower products was adjusted to 30% for two sharing parties and 40% for three tenants from 20% for two tenants and 30% for three tenants, respectively; the additional 5% discount applied to the anchor tenant remains unchanged;

(3) adjustments were made to the geographical coefficient of standard construction cost of self-built tower products in certain provinces and the discount rates for the acquired towers;

(4) the effective period of the discount policy for the existing sharing party was extended to December 31, 2019, and the parties could negotiate on the pricing before the expiration of such period;

(5) the adjusted pricing shall become effective on January 1, 2018; and

(6) the term of the Commercial Pricing Agreements and the Supplemental Agreements to the Commercial Pricing Agreements is five years, from January 1, 2018 to December 31, 2022, and the parties shall negotiate on the subsequent pricing matters upon the expiration of such term.

For details of the adjustments to the cost margin and co-location discounts, also see "*Business — Pricing — Pricing Adjustment in January 2018*."

- **Service Agreements**

The Company entered into the respective Service Agreement with China Mobile Company on April 26, 2018, China Unicom Corporation on April 20, 2018 and China Telecom on April 28, 2018 to restate the content of services of the Relevant Products provided by the Company to the Telecom Shareholders and their branches/subsidiaries, the customer service standard and, where applicable, the relevant agreements in respect of the assessment of the maintenance quality (the pricing of the Relevant Products is mainly set out in the Commercial Pricing Agreements and the Supplemental Agreements to the Commercial Pricing Agreements). The term of the Service Agreements shall be the same with the term of the Commercial Pricing Agreements and the Supplemental Agreements to the Commercial Pricing Agreements, i.e. from January 1, 2018 to December 31, 2022.

The respective provincial branches of the Company shall enter into provincial service agreements (the "**Provincial Service Agreements**") with the Telecom Shareholders and their respective branches/subsidiaries depending on their actual requirement. The Provincial Service Agreements set out more specific terms and conditions based in the principles and terms of the Service Framework Agreements. The Company and/or its provincial branches and the Telecom Shareholders and/or their subsidiaries shall enter into the "Product and Service Confirmation Letter" or "Letters of

Commencement of Leasing in Batches" while conducting specific transactions, to explicitly set out, among other things, the date of service, type of service and credit period. According to the Service Agreements, in case of any inconsistency in principles and terms between the aforementioned agreements and the Service Framework Agreements, the latter shall prevail.

Principal Terms of the Service Framework Agreements

Products and Services

The Relevant Products and related services provided by the Company to each of the Telecom Shareholders and their respective branches/subsidiaries include:

- **service in relation to tower products**: the Company, to serve the needs for the space required for hosting telecommunications equipment of each of the Telecom Shareholders and their respective branches/subsidiaries, provides, constructs and maintains the tower products, including towers, shelters, and ancillary facilities, together with the provision of other services in connection therewith;

- **service in relation to DAS products**: the Company provides, constructs and maintains the DAS products, including the whole DAS, shelters and accessory facilities based on the needs of the Telecom Shareholders and their respective branches/subsidiaries for telecommunications signal feed-in and indoor extensive coverage, together with the provision of other services in connection therewith;

- **service in relation to transmission products**: the Company provides and constructs ducts, pole lines, optical fiber cable, public manholes in front of sites and exits and routes to sites together with other services in connection therewith for the Telecom Shareholders and their respective branches/subsidiaries; and

- **service in relation to service products**: the Company provides power supply and generation services to the Telecom Shareholders and their respective branches/subsidiaries in connection with the tower products and DAS products, which include power service, gasoline or diesel power generation service and extra battery assurance service.

Agreement Term and Service Period

The term of the Service Framework Agreements is from January 1, 2018 to December 31, 2022. The service period of the Relevant Products is generally five years.

Under the requirements of the Hong Kong Listing Rules, the agreement for continuing connected transactions must not exceed three years except in special circumstances where the nature of the transactions requires them to be of a longer period. The Directors believe that it is appropriate and necessary for the Service Framework Agreements to have a five-year term on the basis of the following:

- since the transactions under the Service Framework Agreements are the core strategic transactions for the business of the Company, it is crucial for the Company to secure stable revenue and cash flows generated from the towers and related assets for as long a term as it can negotiate;

- the Company usually has to obtain bank loans and other financing for the acquisition and/or construction of the towers and related assets. It is in the Company's benefit to secure long-term users of the towers and related assets to recover the financing cost; and

- the long-term approach of the service arrangements in respect of the towers is in line with the general practice of the industry and comparable contractual arrangements by international tower companies. Such companies usually have long-term arrangements, from five years to 15 years.

Pricing Policy

The pricing of the Relevant Products is determined after arm's length negotiations by the relevant parties during the ordinary and usual course of business of the Company with reference to the construction cost, maintenance cost, site fee, management cost, operating cost, labor cost and appropriate profit margins, as applicable, of each of the Relevant Products.

Factors considered in adopting the above pricing mechanism are as follows:

- as the Telecom Shareholders had been constructing and operating the towers and indoor distribution antenna systems for a long time, they understand the cost structure of the Relevant Products and the pricing of the Relevant Products is relatively transparent between the parties;

- the above pricing mechanism was agreed by the parties through arm's length negotiations. Since the transactions under the Service Framework Agreements are the core strategic transactions for the business of the Company, it is crucial for the Company to reach an agreement with the Telecom Shareholders and maintain our long-term relationship with them and thus to secure stable revenue and cash flows generated from the Relevant Products;

- similar pricing mechanisms are adopted by certain international tower companies; and

- there is no generally adopted pricing mechanism in the telecommunications tower infrastructure industry in China before the establishment of the Company.

Tower products

The pricing for the tower products is determined after arm's length negotiations by the parties during the ordinary and usual course of business of the Company. The key factors underlying such pricing include the base price, site fee, power access fee and the applicable co-location discounts.

In summary, the product price for tower products is the aggregation of the base price, site fee and power access fee (as applicable) after applying certain fixed co-location discounts, which vary based on the number of tenants and whether a tenant is an anchor tenant or not. The base price is calculated based on the costs of a certain tower product (including the standard construction costs for the product which vary based on certain factors (e.g. type of products and the geographical locations), years of depreciation, and the annual maintenance cost as agreed in each case), plus a cost markup calculated with reference to a fixed cost margin. The material details of the pricing principles for the tower products are set out below:

Self-built Towers	Product price:	= base price × (1 – co-location discount rate 1) + (site fee + power access fee) × (1 – co-location discount rate 2)		
		Base price	$= (\sum \frac{\text{standard construction cost}}{\text{years of depreciation}} \times (1 + \text{impairment rate}) + \text{maintenance cost}) \times (1 + \text{cost margin})$	
		Standard construction cost:	The standard construction cost shall include the costs for materials, construction, design, supervision, crop compensation and other things in relation to towers, shelters and ancillary facilities but exclude the cost for environmental evaluation. The standard construction cost shall be determined through the replacement cost method with reference to the wind pressure, antenna mounting height, types of the ancillary facilities and types of towers. The standard construction cost applied to different provinces shall be the adjusted national standard construction cost according to certain geographical coefficients.	
		Years of depreciation:	The rounded-up average years of depreciation of the corresponding assets previously owned by the Telecom Shareholders, which are: • ten years for towers • 20 years for self-owned shelters attached to ground towers • six years for each of self-owned shelters attached to rooftop towers, rented shelters and integrated cabinet and ancillary facilities	
		Impairment rate:	2% (covering relocation, overhaul and damages)	
		Maintenance cost:	Including cost for outsourcing maintenance, repair and consumable materials, to be determined according to the bidding price, the maintenance contents and quality indicators agreed by the relevant provincial branches/subsidiaries of the parties to the agreements.	
		Cost margin:	10%	
		Site fee:	For each site, a lump sum or on an itemised basis, to be determined by the provincial branches/subsidiaries of the parties to the agreement (after taking into account factors including the site rents, one-time slotting fees and coordination cost).	
		Co-location discount 1 (co-location discount of base price):	If shared by 2 tenants If shared by 3 tenants	30% (35% for the anchor tenant) 40% (45% for the anchor tenant)
		Co-location discount 2 (co-location discount of site fee and/or power access fee	If shared by 2 tenants If shared by 3 tenants	40% (45% for the anchor tenant) 50% (55% for the anchor tenant)

Power access fee (applicable to power access by means of solar energy, wind power or wind-solar hybrid): = construction cost/years of depreciation × (1 + 5%)

Construction cost of power access is priced on a lump sum or priced on an itemized basis based on the actual construction cost

Years of depreciation	ten years (determined with reference to average years of depreciation of the assets of the Telecom Shareholders and their branches/subsidiaries which require power access)

The maintenance cost of the power access facilities are included in the maintenance cost of the tower products and shall be determined according to the bidding price.

Pricing for additional antennas or systems: Three sets of antennas (as one system) serve as one basic product unit. The number of systems shall be rounded up to the nearest whole number if the number of antennas is not the integrate multiples of three. If there is more than one basic product unit, additional charges will be applied based on certain standards.

Other thing: Constructions in response to the demands of sites on the mountains or islands, camouflage towers and small cells shall be carried out in a customized manner. The provincial branches/subsidiaries of the parties to the agreements shall estimate the construction cost through consultation prior to the construction of the sites, and apply such cost to the pricing formula for tower products.

The pricing for the towers with certain different conditions (e.g. the products of which the compositions differ from the standard compositions) may differ from the price listed above.

Illustrative examples for the pricing of a self-built tower:

Scenario 1: Assuming a subsidiary of Telecom Shareholder A ("**Tenant A**") hangs one set of its equipment (one system) with a mounting height of 30 meters to a self-built ground tower of us located in City X.

Variables: According to the Service Framework Agreements:

- the **standard construction cost** for the tower, the integrated cabinet and the ancillary power facilities based on the type of the tower (i.e. ground tower) and the mounting height of Tenant A (i.e. 30 meters) is RMB183,433, RMB5,915 and RMB48,278, respectively; and assuming the geographical coefficient is 1.0 and the wind pressure coefficient is 1.0 for the province City X is in.
- the number of **years of depreciation** for the tower, the integrated cabinet and the ancillary power facilities is ten years, six years and six years, respectively
- assuming the **maintenance cost** determined according to the market-oriented bidding and procurement results is RMB3,400 per year
- assuming the lump sum of **the site fee** determined with reference to the historical site fees for such area is RMB11,000 per year
- assuming the investment for the power access for this particular site is RMB21,000
- the impairment rate is 2%
- the cost margin is 10%

Application of the formulae: Based on the above assumptions:

- Base price per year = [(standard construction cost of the ground tower/years of depreciation of the ground tower × wind pressure coefficient + standard construction cost of the integrated cabinet/years of depreciation of the integrated cabinet + standard construction cost of the ancillary power facilities/years of depreciation of the ancillary power facilities) × geographical co-efficient × (1+ impairment rate) + maintenance cost] × (1 + cost margin) = [(RMB183,433/10 × 1.0 + RMB5,915/6 + RMB48,278/6) × 1.0 × (1+2%) + RMB3,400] × (1+10%) = RMB34,455
- Power access fee per year = construction cost/years of depreciation x (1+cost margin) = RMB21,000/10 × (1+5%) = RMB2,205
- Product price per year = base price + site fee + power access fee = RMB34,455 + RMB11,000 + RMB2,205 = RMB47,660

Scenario 2: Assuming two tenants, Tenant A and Tenant B (a subsidiary of Telecom Shareholder B), are sharing the self-built ground tower with the same mounting height under Scenario 1 above. Tenant A is the anchor tenant.

Variables: According to the Service Framework Agreements:

- Tenant A will enjoy a co-location discount 1 of 35% to the base price and a co-location discount 2 of 45% to the site fee and power access fee
- Tenant B will enjoy a co-location discount 1 of 30% to the base price and a co-location discount 2 of 40% to the site fee and power access fee

Application of the formulae: Based on the above assumptions:

- Product price per year for Tenant A = RMB34,455 × (1-35%) + (RMB11,000 + RMB2,205) × (1-45%) = RMB29,659
- Product price per year for Tenant B = RMB34,455 × (1-30%) + (RMB11,000 + RMB2,205) × (1-40%) = RMB32,042

***Scenario 3*:** Assuming Tenant A and Tenant B started to use this self-built ground tower with the same mounting height at the same time. Therefore there is no anchor tenant for this tower.

Variables: Tenant A and Tenant B will both enjoy the discounts for Tenant B under Scenario 2 above.

Application of the formulae: Based on the above assumptions, the product price per year for Tenant A and Tenant B is RMB32,042.

Scenario 4: Assuming three tenants, Tenant A, Tenant B and Tenant C (a subsidiary of Telecom Shareholder C), are sharing the self-built ground tower with the same mounting height under Scenario 1 above. Tenant A is the anchor tenant.

Variables: According to the Service Framework Agreements:

- Tenant A will enjoy a co-location discount 1 of 45% to the base price and a co-location discount 2 of 55% to the site fee and power access fee
- Tenant B and Tenant C will enjoy a co-location discount 1 of 40% to the base price and a co-location discount 2 of 50% to the site fee and power access fee

Application of the formulae: Based on the above assumptions:

- Product price per year for Tenant A = RMB34,455 × (1-45%) + (RMB11,000 + RMB2,205) × (1-55%) = RMB24,893
- Product price per year for Tenant B/Tenant C = RMB34,455 × (1-40%) + (RMB11,000 + RMB2,205) × (1-50%) = RMB27,276

Acquired Towers

Product price: (no power access fee)

= base price × (1 – co-location discount rate 1) + site fee × (1 – co-location discount rate 2)

Base price

$$= \left(\sum \frac{\text{standard construction cost of self-built towers}}{\text{years of depreciation of self-built towers}} \times \text{discount rate} \times (1 + \text{impairment rate}) + \text{maintenance cost}\right) \times (1 + \text{cost margin})$$

Standard construction cost of self-built towers: Same as the standard construction cost of self-built towers

Years of depreciation of self-built towers: Same as the years of depreciation of self-built towers:

Discount rate:

$$= \sum \frac{\sum \text{appraised value/years of depreciation of the acquired tower}}{(\sum \text{standard construction cost of self-built towers of the sub-category/years of depreciation of self-built towers} \times \text{percentage of similar products of acquired towers}) \times \text{numbers of acquired towers}}$$

The years of depreciation of batteries and other ancillary facilities shall be determined with reference to their remaining years of depreciation, and the years of depreciation of the towers, shelters, air-conditioners, power access and other assets shall be determined with reference to the years of depreciation of similar self-built towers.

The agreements set out different fixed discount rates for different provinces. The wind pressure coefficient and the geographical coefficient for self-built towers do not apply to the acquired towers.

No separate power access fee will be charged for the acquired towers. Before the commencement date when power services are charged on a lump-sum basis, if the Telecom Shareholders or their branches/subsidiaries request an alteration in the method of power supply, for the acquired towers, the power access fee shall be simultaneously adjusted to the one applicable to the corresponding self-built towers and charged separately.

Maintenance cost: Covering the cost for outsourcing maintenance, repair and consumable items and to be determined according to prices set out in existing contracts or the market-oriented bidding and procurement results.

Impairment rate: 2% (covering relocation, overhaul and damages)

Cost margin: 10%

Site fee: A lump sum or priced on an itemised basis agreed between provincial branches/subsidiaries of the parties.

	Co-location discount 1: (same with that for self-built towers)	If shared by 2 tenants	30% (35% for the anchor tenant)
		If shared by 3 tenants	40% (45% for the anchor tenant)
	Co-location discount 2: (same with that for self-built towers)	If shared by 2 tenants	40% (45% for the anchor tenant)
		If shared by 3 tenants	50% (55% for the anchor tenant)
	Pricing method for new tenants:	The base price and site fee for the new tenants shall be based on the prices of the acquired towers located at the same site and the co-location discount shall apply. No power access fee shall be charged separately. The power access switching expenses which incur during adding new product unit or new tenant shall be calculated according to the power access pricing formula for the self-built towers and paid separately by the new tenants.	
	Pricing method for existing sharing party:	Up to 2020: • the prices for the existing sharing parties shall be 30% of the product price (including base price and site fee). • the original property owner shall enjoy the follow discounts: ◦ 30% off the base price if shared by 2 tenants, 40% off the base price if shared by 3 tenants; and ◦ 30% off the site fee if shared by 2 tenants, 60% off the site fee if shared by 3 tenants. • with an additional third tenant sharing, the original property owner shall enjoy the follow discounts: ◦ 40% off the base price; and ◦ 55% off the site fee.	
	Pricing for additional antennas or systems:	Prior to the December 31, 2015, all products built by the Telecom Shareholders and their branches/subsidiaries shall be deemed as a whole and priced at the base price of the product unit with the highest antenna mounting height on the relevant acquired towers. The newly added product unit of the acquired towers (including the product units constructed and added by the Company prior to the aforementioned date) shall be priced the base price of the corresponding product unit of the acquired towers. Every additional three antennas (one system) shall be charged at 30% of the price for a product unit and every one additional system (excluding the antennas) which expands the facility space shall be charged at 10% of the price for a newly added product unit.	
Illustrative examples for the pricing of an acquired tower:	***Scenario 5:***	Assuming Tenant A hangs one set of its equipment (one system) with mounting height of 30 meters to an acquired ground tower of us located in City X.	
	Variables:	According to the Service Framework Agreement: • the geographical coefficient and wind pressure coefficient do not apply to an acquired tower • assuming the **discount rate** for an acquired tower is fixed at 0.82 for the province City X is in • power access fee does not apply to an acquired tower	
	Application of the formulae:	Based on the above assumptions: • Base price per year = [(standard construction cost of the ground tower/ years of depreciation of the ground tower + standard construction cost of the integrated cabinet/years of depreciation of the integrated cabinet + standard construction cost of the ancillary power facilities/years of depreciation of the ancillary power facilities) × discount rate × (1 + impairment rate) + maintenance cost] × (1 + cost margin) = [(RMB183,433/10 + RMB5,915/6 + RMB48,278/6) × 0.82 × (1+2%) + RMB3,400] × (1+10%) = RMB28,927 • The other calculations are similar to those under Scenario 1 above.	

DAS products

The pricing for the DAS products is determined after arm's length negotiations by the parties during the ordinary and usual course of business of the Company. The key factors underlying such pricing include the base price, site fee and the applicable co-location discounts.

In summary, the product price for DAS products is the aggregation of the base price and site fee after applying certain fixed co-location discounts, which vary based on the number of tenants. The base price is calculated based on the costs of certain distribution antenna systems (including the standard construction costs for the product which vary based on certain factors, years of depreciation, and the annual maintenance cost as agreed in each case), plus a cost markup calculated with reference to a fixed cost margin. The material details of the pricing principles for the DAS products are set out below:

DAS products for commercial buildings	Product price:	= (base price × area covered + site fee) × (1 – co-location discount rate)
	Base price:	$= (\sum \frac{\text{standard construction cost}}{\text{years of depreciation}} \times (1 + \text{impairment rate}) + \text{maintenance cost}) \times (1 + \text{cost margin})$ = RMB2.95/m^2/year Due to the variations in construction standards, the price calculated based on the actual construction cost is usually less than the agreed price above during the implementation by the relevant provincial branches/subsidiaries of the parties.
	Standard construction cost:	RMB16.24/m^2 (covering cost of distribution systems, ancillary facilities, power access and others), subject to adjustment under certain circumstances (e.g. using different materials or the actual construction cost substantially vary from the standard construction cost)
	Years of depreciation:	Seven years
	Impairment rate:	2% (covering overhaul and damages)
	Maintenance cost:	Covering the fees for outsourcing maintenance, repair and consumable items, to be determined in accordance with the actual bidding price
	Site fee:	Currently on a lump sum or an itemised basis (after taking into account factors covering the site rents, one-time slotting fees and coordination cost) to be determined by the provincial branches/subsidiaries of the parties.
	Co-location discount:	If shared by 2 tenants 40% If shared by 3 tenants 50%
	Cost margin:	15%
	Basic product unit:	two systems, including systems for buildings and for tunnels, as one basic product unit, and 10% of the unit price of a basic product unit will be charged for any additional system.
	The pricing for the DAS products with compositions different from the standard compositions may differ from the price listed above.	

Illustrative examples for the pricing of DAS products for commercial buildings:	***Scenario 6:***	Assuming we provide DAS products for a subsidiary of Telecom Shareholder A ("**Tenant A**") covering an area of 80,000 m^2 in commercial buildings.
	Variables:	According to the Service Framework Agreements: • assuming the **actual construction cost** of the DAS product is RMB7.5 / m^2. As it varies more than 15% from the standard construction cost of RMB16.24/ m^2, the actual construction cost shall be applied in the pricing formula • the **number of years of depreciation** is seven years • assuming the **maintenance cost** determined according to the market-oriented bidding and procurement results is RMB0.05/ m^2/ year • assuming the lump sum of the **site fee** is determined to be RMB2,000 per year
	Application of the formulae:	Based on the above assumptions: • Base price/m^2/year = [the actual construction cost/years of depreciation × (1 + impairment rate) + maintenance cost] × (1 + cost margin) = [RMB7.5/7 × (1+2%) + RMB0.05] × (1+15%) = RMB1.3143 • Product price per year = base price × area covered + site fee = RMB1.3143/ m^2 × 80,000 m^2 + RMB2,000 = RMB107,143
	Scenario 7:	Assuming two tenants, Tenant A and Tenant B (a subsidiary of Telecom Shareholder B), are sharing the DAS product under Scenario 6 above.
	Variables:	According to the Service Framework Agreements: • both Tenant A and Tenant B will enjoy a co-location discount of 40% to the base price and site fee.
	Application of the formulae:	Based on the above assumptions, product price per year = RMB107,143 (the product price per year under Scenario 6) × (1-40%) = RMB64,286
	Scenario 8:	Same scenario as Scenario 6 with one different variable as set out below.
	Variables:	According to the Service Framework Agreements: • now assuming the actual construction cost of the DAS product is RMB15.55 / m^2. As it varies less than 15% from the standard construction cost of RMB16.24/ m^2, the standard construction cost shall be applied in the pricing formula • The rest of the variables stay the same.
	Application of the formulae:	The calculations are the same as those under Scenario 6

DAS products for large venues structures[1], subway tunnels (including subway platforms) and railway tunnels	Product price (on an itemised basis)	= (base price + site fee) × (1 – co-location discount rate)	
		Base price	$= (\sum \frac{\text{construction cost}}{\text{years of depreciation}} \times (1 + \text{impairment rate}) + \text{maintenance cost}) \times (1 + \text{cost margin})$
		Construction cost:	To be determined according to the actual construction cost incurred in the relevant projects, covering distribution systems, ancillary facilities, power access and other items
		Years of depreciation:	• To be determined with reference to average years of depreciation of similar assets of the Telecom Shareholders and their branches/subsidiaries • Seven years for distribution systems
		Impairment rate:	2% (covering overhaul and damages)
		Maintenance cost:	Including fees for outsourcing maintenance, repair and consumable materials, to be determined according to the maintenance contents and quality indicators agreed by the relevant provincial branches/subsidiaries of the parties and the bidding prices.
		Cost margin:	15%
		Co-location discount:	If shared by 2 tenants 40% If shared by 3 tenants 50%
		Site fee:	Determined on an itemised basis based on actual cost (including site rental, one-time slotting fees and coordination fee)
		Basic Product Unit:	Same as the DAS products for commercial building
	Illustrative examples for the pricing of DAS products for large venues structures, subway tunnels (including subway platforms) and railway tunnels	The applications of the formulae are similar to those examples mentioned above.	

Transmission products

The pricing for the transmission products is determined after arm's length negotiations by the parties during the ordinary and usual course of business of the Company. The key factors underlying such pricing include the construction cost, maintenance cost (if applicable) and the applicable co-location discounts.

In summary, the product price for a certain user for transmission products constructed per the request and on behalf of the Telecom Shareholders and their subsidiaries is calculated based on the

Note:

(1) Including but not limited to airports, train stations, exhibition centers, and gymnasiums.

construction costs of such transmission product divided by the number of users, plus a cost markup calculated with reference to a fixed cost margin; and the product price for transmission products constructed and owned by the Company is the aggregation of the construction costs of such transmission product, the maintenance cost and a cost markup calculated with reference to a fixed cost margin, after applying certain fixed co-location discounts.

The material details of the pricing principles for the transmission products are set out below:

<table>
<tr><td rowspan="4">Transmission products (constructed per the request and on behalf of the Telecom Shareholders and their subsidiaries)</td><td rowspan="3">Product price (on an itemised basis)</td><td colspan="2">$= \frac{\text{actual construction cost}}{\text{number of the Telecom Shareholder and their respective branches/subsidiaries connected}} \times (1+ \text{cost margin})$</td></tr>
<tr><td>Construction cost:</td><td>Including but not limited to, the expenses for materials, construction, design, supervision and compensations during the process, among which, the compensations including but not limited to, compensations for coordination, road, bridge/river-crossing, road-crossing, farmland and forest-crossing, etc.</td></tr>
<tr><td>Cost margin:</td><td>5%</td></tr>
<tr><td>Ownership and undertaking of cost:</td><td colspan="2">The ownership, maintenance arrangements and cost of transmission products will be determined with reference to the established practice in respect of the joint construction and sharing arrangements prior to the establishment of the Company by the respective branches/subsidiaries of the Telecom Shareholders.</td></tr>
<tr><td rowspan="10">Transmission products (provision of service for the transaction products constructed and owned by the Company)</td><td rowspan="8">Product price (on an itemised basis)</td><td colspan="2">$= [(\sum \frac{\text{construction cost}}{\text{years of depreciation}} \times (1 + \text{impairment rate}) + \text{maintenance cost}) \times (1+ \text{cost margin})] \times (1 - \text{co-location discount rate})$</td></tr>
<tr><td>Construction cost:</td><td>Including but not limited to, the expenses for materials, construction, design, supervision and compensations during the process, among which, the compensations including but not limited to, compensations for coordination, road, bridge/river-crossing, road-crossing, farmland and forest-crossing, etc.</td></tr>
<tr><td>Years of depreciation:</td><td>ten years</td></tr>
<tr><td>Impairment rate:</td><td>2% (covering overhaul and damages)</td></tr>
<tr><td>Maintenance cost:</td><td>covering expenses for outsourcing maintenance, repair and consumable items, and shall be determined according to the amount actually incurred</td></tr>
<tr><td>Co-location discount:</td><td>If shared by 2 tenants 30%</td></tr>
<tr><td></td><td>If shared by 3 tenants 40%</td></tr>
<tr><td>Cost margin:</td><td>15%</td></tr>
<tr><td>Ownership and undertaking of cost:</td><td colspan="2">the ownership of transmission products belongs to the Company, and the maintenance and its cost shall be borne by the Company.</td></tr>
<tr><td>Illustrative examples for the pricing of transmission products</td><td colspan="2">The application of the formulae are similar to those examples mentioned above.</td></tr>
</table>

Service products

The pricing for the service products is determined after arm's length negotiations by the parties during the ordinary and usual course of business of the Company, among which:

- the pricing for the power service are determined by methods includes the lump sum method and the pass-through method;
- the pricing for gasoline or diesel power generation service is based on either a lump sum or an itemised basis (in summary, the aggregation of the base price for single-time power generation, gasoline or diesel cost for power generation, vehicle usage fee, and a cost markup calculated with reference to a fixed cost margin); and

- the pricing for extra battery assurance service is, in summary, determined according to the construction cost, years of depreciation, plus a cost markup calculated with reference to a fixed cost margin.

The material details of the pricing principles for service products are set out below:

Power service	Lump sum service for power guarantee:	Shall be further agreed in the respective provincial company service agreements between the provincial branches/subsidiaries of the parties, of which the period shall not be more than three years and neither service mode nor price can be changed during such term. The Company's branches shall negotiate with relevant branches/subsidiaries of the Telecom Shareholders in relation to the lump sum service to determine the total amount of electricity fee. Relevant branches/subsidiaries of the Telecom Shareholders shall pay the electricity fees monthly. If a station site is activated for less than one month, the electricity fee will be calculated according to the actual number of days for which such site has been activated.
	Pass-through service for power guarantee:	The Company's branches shall provide the electricity bills and the electricity consumption split sheets of power supply units to branches/subsidiaries of the Telecom Shareholders. In particular, the electricity fees for shared sites shall be borne by branches/subsidiaries of the Telecom Shareholders in proportion to the nominal power or actual electricity consumption (according to direct current meters) of their facilities. The branches/subsidiaries of the Telecom Shareholders shall pay electricity fees to the power supply units or owners of the sites in accordance with their electricity consumption and obtain relevant invoices. Provincial branches/subsidiaries of the parties shall negotiate to resolve the issue in case of the absence of invoices.
	Service of paying electricity fees on behalf of customers:	The branches/subsidiaries of the Telecom Shareholders shall pay electricity fees to branches of the Company equal to the actual electricity fees paid by the Company on behalf of the subsidiaries of the Telecom Shareholders and obtain the relevant receipts from the Company. The provincial branches of the Company shall determine the payment period with the Telecom Shareholders and their branches/subsidiaries after arm's length negotiations. If the Telecom Shareholders and their subsidiaries pay the amount due after the payment period, the parties shall determine the service fees with reference to factors such as the financing cost after arm's length negotiations.
Gasoline or diesel power generation services	Shall be further agreed by the provincial branches/subsidiaries of the parties whether to use pricing on a lump sum basis or on an itemised basis. The branches/subsidiaries of the Telecom Shareholders shall confirm, in respective Service Confirmation Letter, which method of pricing shall be used.	
	Priced on a lump sum basis:	Details shall be further agreed in the respective Service Confirmation Letter to be entered into between the provincial branches/subsidiaries of the parties

	Priced on an itemised basis:	Details shall be further agreed by provincial branches/subsidiaries of the parties with reference to the following formula: Single-time service price = single-time power generation cost × (1 + cost margin)	
		Single-time power generation cost	Single-time power generation cost = base price for single-time power generation + gasoline or diesel cost for power generation per hour × power generation duration + vehicle usage fee per kilometre × number of kilometres The relevant parameters shall be determined by the provincial branches/subsidiaries of the parties with reference to the power generation prices provided by third parties.
	Cost margin	5% of the single-time power generating cost	
Extra battery assurance service	Product price for one system	$= \left(\dfrac{\text{construction cost}}{\text{years of depreciation}}\right) \times (1 + \text{impairment rate}) \times (1 + \text{cost margin})$	
		If the equipment power does not exceed 1.5KW	RMB400/year (relevant parameters calculated with reference to those in the price formula for tower products)
		If the equipment power exceeds 1.5KW for one hour	To be negotiated by the provincial branches/subsidiaries of the parties with reference to the formula above

Note: One system means an hour of battery service provided for a set of equipment with the total power not exceeding 1.5KW.

The pricing for tower products includes three-hour backup battery assurance service for the master facilities and 10-hour for the transmission facilities. The services exceeding the aforementioned scope will be charged according to the standard pricing mentioned above.

Payment Arrangement

In terms of the services and products of which the service fee is measured by month, the service fee payable should be calculated in accordance with the following formula, if the service term of certain month is less than one month:

Service fee payable of a certain month = (actual service days/number of days in certain month) × service fee

Provided that the respective branches of the Company provide the invoices of the service fees on time, the Telecom Shareholders and their respective branches/subsidiaries confirm the invoices on time and the respective branches of the Company provide the value-added tax invoice on time, the Telecom Shareholders and their respective branches/subsidiaries shall pay the service fees incurred during the preceding month before the 25th day of the current month.

Adjustment of the Pricing Mechanism

Considering factors such as inflation, the parties may adjust the maintenance cost and site fee for the year with reference to the Consumer Price Index published by the national statistics authority for the previous year. Such adjustments shall be effective from January 1 of the year during which the adjustments were made and applied retrospectively.

If the real estate market or the steel price fluctuates sharply, the parties shall further negotiate to adjust, among other things, the site fee and product price accordingly.

Prior to the expiry of the Service Framework Agreements on December 31, 2022, the parties shall negotiate to determine the subsequent pricing matters.

Historical Figures

During the Track Record Period, the transaction amounts of the Principal Services Provided to the Telecom Shareholders are set out below:

Transaction amount of the principal services provided to China Mobile Company and its subsidiaries:

Revenue generated by the Company

Category	**For the year ended December 31,**			**For the three months ended March 31,**
	2015	**2016**	**2017**	**2018**
	(RMB in millions)			
Tower products[(1)]	4,488	27,545	34,795	8,967
DAS products[(2)]	22	241	715	228
Transmission products[(3)]	—	—	9	2
Service products[(4)]	50	856	1,280	264
Total	**4,560**	**28,642**	**36,799**	**9,461**

Advances made by the Company

Category	Balances as at December 31,			For the three months ended March 31,
	2015	2016	2017	2018
	(RMB in millions)			
Service products (5)	122	2,325	2,575	2,741

Transaction amount of the principal services provided to China Unicom Corporation:

Revenue generated by the Company

Category	For the year ended December 31,			For the three months ended March 31,
	2015	2016	2017	2018
	(RMB in millions)			
Tower products(1)	2,280	14,680	15,569	3,701
DAS products(2)	11	85	249	72
Transmission products(3)	—	—	3	1
Service products(4)	23	298	409	109
Total	**2,314**	**15,063**	**16,230**	**3,883**

Advances made by the Company

Category	Balances as at December 31,			For the three months ended March 31,
	2015	2016	2017	2018
	(RMB in millions)			
Service products (5)	81	1,036	861	1,040

Transaction amount of the principal services provided to China Telecom:

Revenue generated by the Company

Category	For the year ended December 31,			For the three months ended March 31,
	2015	2016	2017	2018
	(RMB in millions)			
Tower products[(1)]	1,896	11,895	14,689	3,595
DAS products[(2)]	12	95	320	91
Transmission products[(3)]	—	—	7	1
Service products[(4)]	19	273	445	98
Total	**1,927**	**12,263**	**15,461**	**3,785**

Advances made by the Company

Category	Balances as at December 31,			For the three months ended March 31,
	2015	2016	2017	2018
	(RMB in millions)			
Service products [(5)]	17	766	746	922

Notes:

(1) Including the fees from the provision of services in relation to the tower products.

(2) Including the fees from the provision of services in relation to the DAS products.

(3) Including the fees from the provision of services in relation to the transmission products.

(4) Including the fees from the provision of services in relation to the service products.

(5) Represents the balances of the advances made by the Company at the relevant time in relation to services of paying electricity fees on behalf of customers.

Annual caps

Under Rule 14A.53 of the Hong Kong Listing Rules, the listed issuer must set an annual cap for the continuing connected transactions. The Company believes that it is impracticable and extremely difficult to set annual caps for the transactions under the Service Framework Agreements. Therefore, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted to us, a waiver under Rule 14A.105 of the Hong Kong Listing Rules from strict compliance with the annual cap requirements on the basis, and (where applicable) conditions of the following and allowed us not to set annual caps for transactions contemplated under the above mentioned framework agreements within their terms, being five years:

- **A fixed annual cap will limit the business development of the Company**. As the Telecom Shareholders are the major customers of the Company and make substantial contribution to its revenue, setting annual caps with fixed monetary amounts for the Principal Services Provided to the Telecom Shareholders would place an arbitrary ceiling on the revenue of the Company and therefore hinder the development of the Company, which will not be in the interests of the Company and any of the Shareholders, including the minority Shareholders. Besides, it is not meaningful to provide for a percentage cap based on the revenue given the substantial contribution of the revenue generated from transactions between the Company and the Telecom Shareholders and their respective branches/subsidiaries.

- **A formula-based pricing mechanism without monetary annual caps is the only practical solution**. As opposed to monetary annual caps, fees calculated with reference to a pricing formula is the only practical solution. The Principal Services Provided to the Telecom Shareholders are in the ordinary and usual course of the business of the Company with high frequency and are market-driven, of which the pricing, for example, of tower products, reflects, among other things, the price of the maintenance cost, steel price and site fee. The value of each of these factors is determined by the market and varies from time to time, which could fluctuate beyond the control of the parties.

- **Impracticable and extremely difficult to set annual caps**. It is impracticable and extremely difficult to set annual caps considering the relatively long term (five years) of the Service Framework Agreements as it would involve making assumptions on the future performance of the Company over a period of up to five years. In addition, the Principal Services Provided to the Telecom Shareholders are primarily driven by the business development of the Telecom Shareholders based on the society's growing demand for telecommunication services and are therefore not under the control of the Company.

- **Uncertainty to the business operation/management of the Company**. Given the Principal Services Provided to the Telecom Shareholders are the core strategic transactions for the businesses of the Company, it is therefore necessary for the Company to apply for a waiver from setting annual caps for a five-year term. If the absence of a monetary cap is subject to the approval of the Shareholders of the Company after three years or a longer period, the uncertainty of Shareholders' approval would give rise to greater uncertainty as to whether the Service Framework Agreements will be functional within their whole terms.

- **Full disclosure.** This prospectus has clearly disclosed the basis of the fee calculation under the Service Framework Agreements during the Track Record Period and going forward. The Company would separately disclose in its annual reports after Listing the related amounts of the fees paid under the Service Framework Agreements.

- **Changes subject to the approval of Shareholders**. Any change to the basis of calculating the fees under the Service Framework Agreements would be subject to the approval of Shareholders.

- **Directors' view**. The Directors, including the independent non-executive Directors, confirmed that the absence of annual caps are fair and reasonable to the Company and the Shareholders as a whole.

- **Sponsors' view**. The Joint Sponsors concur the view of the Directors that the absence of annual caps are fair and reasonable to the Company and the Shareholders as a whole.

Reasons and Benefits for the Transactions

The transactions contemplated under the Service Framework Agreements are the core strategic transactions for the businesses of the Company. As the Telecom Shareholders have huge and stable demands for the services in relation to the Relevant Products, fair business cooperation with such parties helps the Company to secure stable revenue and cash flows and maintain a leading industry position. Meanwhile, given numerous quantities, nationwide distribution and relatively low revenue of single unit of the Relevant Products (such as towers), the substantial demands from the Telecom Shareholders help the Company to improve the utilization rate of assets of which the construction was completed. Moreover, the Company normally needs to obtain bank borrowings and other financing for acquiring and/or constructing towers and the relevant assets. Securing long-term users of towers and the relevant assets in order to recover the financing cost is in line with the interests of the Company.

In addition, as the demands for Relevant Products in the PRC market are mainly derived from the Telecom Shareholders and their branches/subsidiaries, who are also the major participants in the telecommunications market in China, it is inevitable that the Company would need to conduct business with such parties.

Implications under the Hong Kong Listing Rules and waivers from strict compliance with the Hong Kong Listing Rules

The highest applicable percentage ratio in respect of transactions under each of the Service Framework Agreements is expected to be above 5%. Such transactions, therefore, shall be subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

As the transactions under each of the Service Framework Agreements are expected to continue on a recurring and continuing basis and are fully disclosed in this prospectus, the Directors consider that strict compliance with the announcement and independent shareholders' approval requirements would be impracticable, unduly burdensome and would impose unnecessary administrative cost upon the Company.

Accordingly and as discussed above, in respect of the transactions under each of the Service Framework Agreements, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted to us, a waiver under Rule 14A.105 of the Hong Kong Listing Rules from strict compliance with the announcement and independent shareholders' approval requirements under Rules 14A.35 and 14A.36, and the annual cap requirement under Rule 14A.53 of the Hong Kong Listing Rules.

OTHER SERVICES PROVIDED TO THE TELECOM SHAREHOLDERS

In addition to the Principal Services Provided to the Telecom Shareholders, the Company also provides site resource service for the Telecom Shareholders and their respective branches/subsidiaries (the "**Other Services Provided to the Telecom Shareholders**") to serve their customers by primarily addressing their needs for government and enterprise private communications networks and data collection (including but not limited to data collection in relation to surveillance for air quality, seismology, land, marine and prevention of forest fire). The site resource services include providing the Company's site resources for the customers of the Telecom Shareholders and their respective branches/subsidiaries to host certain equipment of them, and assisting them to maintain a smooth operation of such equipment through provision of the Company's maintenance and power services. See "*Business — Our Business — TSSAI business with customers from different industries — Site resources service*" for details of the content of the services.

During the Track Record Period, the transaction amounts of the Other Services Provided to the Telecom Shareholders are set out below:

Revenue generated by the Company	For the year ended December 31,			For the three months ended March 31,
	2015	2016	2017	2018
	(RMB in millions)			
From China Mobile Company and its subsidiaries	—	4	5	4
From China Unicom Corporation	—	—	2	1
From China Telecom	—	—	6	3

As the Other Services Provided to the Telecom Shareholders are conducted in the ordinary and usual course of business and on terms and conditions no more favorable to customers who are Independent Third Parties, and each of the applicable percentage ratios (other than the profits ratio) for such transactions calculated in accordance with Rule 14.07 of the Listing Rules is expected to be below 0.1% on an annual basis, such transactions fall within the *de minimis* threshold as stipulated under Rule 14A.76 of the Listing Rules and are fully exempt from the reporting, annual review, announcement and independent shareholders' approval requirements.

PROPERTY LEASING FROM EACH OF THE TELECOM GROUP COMPANIES AND THEIR RESPECTIVE ASSOCIATES

Property Lease Framework Agreements with each of the Telecom Group Companies

The Company entered into the property lease framework agreements (the "**Property Lease Framework Agreements**") with each of the Telecom Group Companies on substantially the same terms and conditions on July 15, 2018, respectively, pursuant to which the Company may lease certain properties from each of the Telecom Group Companies and their respective associates. The Telecom Group Companies and their respective associates shall enter into separate agreements with the Company or its relevant provincial branches, which shall set out specific terms and conditions pursuant to the principles and conditions provided in the Property Lease Framework Agreements.

Principal Terms

Service Provided

Pursuant to the Property Lease Framework Agreements, the properties to be leased from each of the Telecom Group Companies and their respective associates include buildings and land. Each of the Telecom Group Companies and their respective associates also provide relevant property management services in relation to some of the properties leased to the Company.

Service Period

The Property Lease Framework Agreements are valid from the Listing Date to December 31, 2020 and are renewable upon mutual agreement of both parties, respectively.

Pricing Policy

Under the Property Lease Framework Agreements, the rents and management fees shall be determined and paid as follows:

- the rents of office buildings will be determined with reference to the market price at the time of signing individual agreements. If there is no market price or the market price cannot be determined, the rents and management fees will be determined by the parties with reference to reasonable costs, taxes payable and fees and reasonable profits;

- the rents of buildings and land used for the Company's construction and operation (sites) will be determined with reference to the market price at the time of signing individual agreements. If there is no market price or the market price cannot be determined, the rents and management fees will be determined by the parties with reference to reasonable costs, taxes payable and fees and reasonable profits;

- during the leasing term of individual leased property, the management fees, including but not limited to, property fees, water fees, electricity fees, cleaning fees, air-conditioning fees, heating fees, parking fees and other fees related to the use of the leased property, will be determined by the parties with reference to the market price of similar property management service at the time of signing individual agreements; and

- the relevant standard for the rents will be regularly reviewed and adjusted according to individual agreements.

Historical Figures and Annual Caps

For properties leased from CMCC and its associates

As at December 31, 2015, 2016 and 2017 and March 31, 2018, we leased 14, 5, 7 and 21 properties as office buildings, respectively, and 15,922, 14,394, 14,268 and 12,757 sites, respectively, from CMCC and its associates. The historical figures and annual caps of such transactions for the relevant period are set out below:

Office buildings		**Historical Figures**				**Annual Caps**		
		For the years ended December 31,			**For the three months ended March 31, 2018**	**For the years ending December 31,**		
		2015	**2016**	**2017**		**2018**	**2019**	**2020**
					(RMB in millions)			
	Rents	3	1	2	2	N/A	N/A	N/A
	Management fees	—	1	—	2	N/A	N/A	N/A
	Subtotal	**3**	**2**	**2**	**4**	**16(1)**	**18**	**20**
Sites		**Historical Figures(2)**				**Annual Caps**		
		For the years ended December 31,			**For the three months ended March 31, 2018**	**For the years ending December 31,**		
		2015	**2016**	**2017**		**2018**	**2019**	**2020**
					(RMB in millions)			
	Rents	93	461	253	52	245	257	270
	Subtotal	**93**	**461**	**253**	**52**	**245**	**257**	**270**
Total		**96**	**463**	**255**	**56**	**261**	**275**	**290**

Note:

(1) The annual cap for 2018 is estimated mainly based on the rents and management fees paid to CMCC and its associates for the three months ended March 31, 2018, which, represented an increase compared to the transaction amounts in previous years as shown in the table above, mainly due to the increase of the rents and management fees associated with the increase of the number of properties leased during the three months ended March 31, 2018. See "Basis of Annual Caps" below for more details of the basis of the such annual caps.

(2) The increase of the rents from 2015 to 2016 was primarily due to that together with the acquisition of towers and related assets from CMCC and China Mobile Company and their respective subsidiaries in 2015, the Company also leased certain sites from them - the Company only paid the rents for the leased sites for the last two months in 2015 after the completion of such acquisition while it paid the rents for the full year in 2016. The decrease of the rents from 2016 to 2017 was mainly due to the decrease in the number of sites subleased to us by CMCC and its associates because, among other things, we started to lease the sites directly from the landlords.

For properties leased from CUC and its associates

As at December 31, 2015, 2016 and 2017 and March 31, 2018, we leased 62, 78, 91 and 99 properties as office buildings, respectively, and 13,031, 13,484, 9,991 and 4,047 sites, respectively, from CUC and its associates. The historical figures and annual caps of such transactions for the relevant period are set out below:

		Historical Figures[1]				Annual Caps[2]		
Office buildings		For the years ended December 31,			For the three months ended March 31, 2018	For the years ending December 31,		
		2015	2016	2017		2018	2019	2020
		(RMB in millions)						
	Rents	10	15	18	5	N/A	N/A	N/A
	Management fees	1	2	2	—	N/A	N/A	N/A
	Subtotal	**11**	**17**	**20**	**5**	**28**	**30**	**33**
Sites		**Historical Figures[3]**				**Annual Caps[4]**		
		For the years ended December 31,			For the three months ended March 31, 2018	For the years ending December 31,		
		2015	2016	2017		2018	2019	2020
		(RMB in millions)						
	Rents	36	265	89	20	95	100	105
	Subtotal	**36**	**265**	**89**	**20**	**95**	**100**	**105**
Total		**47**	**282**	**109**	**25**	**123**	**130**	**138**

Notes:

(1) The increase of the transaction amounts during the Track Record Period was mainly due to that the number of the properties as office building leased by the branches of the Company from CUC and its associates have increased since the establishment of the Company.

(2) The annual caps are estimated mainly based on the increase of the annual rents and management fees paid to CUC and its associates during the Track Record Period as shown in the table above and after taking consideration of the increase of the number of leased properties as office buildings.

(3) The increase of the rents from 2015 to 2016 was primarily due to that together with the acquisition of towers and related assets from CUC and China Unicom Corporation and their respective subsidiaries in 2015, the Company also leased certain sites from them - the Company only paid the rents for the leased sites for the last two months in 2015 after the completion of such acquisition while it paid the rents for the full year in 2016. The decrease of the rents from 2016 to 2017 was mainly due to the decrease in the number of sites subleased to us by CUC and its associates because, among other things, we started to lease the sites directly from the landlords.

(4) See "Basis of Annual Caps" below for the basis of the such annual caps.

For properties leased from CTC and its associates

As at December 31, 2015, 2016 and 2017 and March 31, 2018, we leased 46, 65, 101 and 133 properties as office buildings, respectively, and 21,006, 22,989, 18,610 and 12,529 sites, respectively, from CTC and its associates. The historical figures and annual caps of such transactions for the relevant period are set out below:

Office buildings		**Historical Figures[1]**				**Annual Caps**		
		For the years ended December 31,			**For the three months ended March 31, 2018**	**For the years ending December 31,**		
		2015	**2016**	**2017**		**2018**	**2019**	**2020**
					(RMB in millions)			
	Rents	18	47	93	35	N/A	N/A	N/A
	Management fees	10	14	16	3	N/A	N/A	N/A
	Subtotal	**28**	**61**	**109**	**38**	**190**	**215**	**236**

Sites		**Historical Figures[2]**				**Annual Caps[3]**		
		For the years ended December 31,			**For the three months ended March 31, 2018**	**For the years ending December 31,**		
		2015	**2016**	**2017**		**2018**	**2019**	**2020**
					(RMB in millions)			
	Rents	75	424	278	53	274	283	297
	Subtotal	**75**	**424**	**278**	**53**	**274**	**283**	**297**
Total		**103**	**485**	**387**	**91**	**464**	**498**	**533**

Notes:

(1) The increase of the transaction amounts during the Track Record Period was mainly due to that the number of the properties as office building leased by the branches of the Company from CTC and its associates have increased since the establishment of the Company.

(2) The increase of the rents from 2015 to 2016 was primarily due to that together with the acquisition of towers and related assets from CTC and China Telecom and their respective subsidiaries in 2015, the Company also leased certain sites from them - the Company only paid the rents for the leased sites for the last two months in 2015 after the completion of such acquisition while it paid the rents for the full year in 2016. The decrease of the rents from 2016 to 2017 was mainly due to the decrease in the number of sites subleased to us by CTC and its associates because, among other things, we started to lease the sites directly from the landlords.

(3) See "Basis of Annual Caps" below for the basis of the such annual caps.

Basis of Annual Caps

In determining the proposed annual caps for the transactions contemplated under the Property Lease Framework Agreements, we have considered, among other things, the following key factors:

- historical figures mentioned above (in particular the highest transaction amount over the Track Record Period);
- rents and management fees paid under the existing leases with each of the Telecom Group Companies and their associates;
- although the rents of sites in 2017 decreased due to decrease in number of properties subleased by the Telecom Group Companies and their respective associates, the Company expects that the number of sites will remain stable in general from 2018;
- as the number of the properties used as office buildings leased by the branches of the Company have gradually increased since the establishment of the Company, the rents and property management fees for such properties paid by the Company increased substantially during the Track Record Period, and the Company expects that such transactions will continue to increase relatively substantially during the three years ending December 31, 2020; and
- the growth rate of the rents and management fees of the leased properties over the Track Record Period, and the expected rate of such growth in the upcoming years, in particular, the expected increase of market rental charges for property leasing in the first and second-tier cities in the PRC.

Reasons and Benefits of the Transaction

When we lease properties in the ordinary and usual course of our business, we select properties and landlords based on our internal evaluation and selection procedures taking into account various factors including our business needs, the rentals charged and location of the properties. We select the most suitable landlord among the candidates which comprise both connected persons and Independent Third Parties.

The majority of the properties leased by us from each of the Telecom Group Companies and their respective associates are related to the main businesses of the Company. The rest of the properties leased by us from them are mainly offices. We entered into such arrangements with the Telecom Group Companies and their respective associates due to the suitability of the locations, prices and quality of the properties offered by them. In addition, as there are generally operating assets (such as towers) located on those leased properties, having considered the business relationships between us and each of the Telecom Group Companies and their respective associates, leasing properties from them is considered beneficial to us for safeguarding our operating assets, and to the stability of our business operation.

Implications under the Hong Kong Listing Rules and waivers from strict compliance with the Hong Kong Listing Rules

The highest applicable percentage ratio in respect of the transactions under each of the Property Lease Framework Agreements is expected to be above 0.1% but less than 5%. Such transactions, therefore, shall be subject to the reporting, annual review and announcement requirements but exempt from independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

As the transactions under the Property Lease Framework Agreements are expected to continue on a recurring and continuing basis, the Directors consider that strict compliance with the announcement requirement would be impracticable, unduly burdensome and would impose unnecessary administrative cost upon us.

Accordingly and as discussed above, in respect of the transactions under each of the Property Lease Framework Agreements, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted to us, a waiver under Rule 14A.105 of the Hong Kong Listing Rules from strict compliance with the announcement requirement under Rule 14A.35 of the Hong Kong Listing Rules.

NON-TELECOMMUNICATIONS SERVICES PROVIDED BY EACH OF THE TELECOM GROUP COMPANIES AND THEIR RESPECTIVE ASSOCIATES

Service Supply Framework Agreement with each of the Telecom Group Companies

The Company entered into a service supply framework agreement (together, the **Service Supply Framework Agreements**) with each of the Telecom Group Companies, on substantially the same terms and conditions, on July 15, 2018, respectively, pursuant to which the associates of each of the Telecom Group Companies will provide construction, design, supervision, outsourcing maintenance, intermediary, supply chain and/or training services to the Company. The associates of each of the Telecom Group Companies, respectively, shall enter into separate agreements with the Company or its relevant provincial branches, which shall set out specific terms and conditions pursuant to the principles and conditions provided in the Service Supply Framework Agreements.

Principal Terms

Service Provided

The services provided by each of the Telecom Group Companies and their respective associates under the Service Supply Framework Agreements include:

- **construction service**: construction of individual projects, including but not limited to, construction and transformation of new and existing shelters of wireless base stations, height extension holders for antennas, base station ancillaries, distributed antenna systems, tunnel distribution systems and relevant ancillaries on the construction site or integration services;

- **design service**: consultancy, plan, survey, design, detection and optimization and review services for proposed construction or transformation projects, including but not limited to, technical consulting, network planning, feasibility study, plan design, project design, assistance in materials procurement, project acceptance, tower testing, lightning devices testing, environment testing and network optimization for individual construction projects;

- **supervision service**: supervision of individual construction projects, including but not limited to, reviewing the construction organization designs and technical plans, the progress plans of the constructions, and the technical measures for ensuring quality, safety and civilized construction provided by contractors, verifying the qualification of third parties (such as contractors) and their staff and the technical equipment they use in the constructions and providing on-site supervision of the quantity and quality of materials provided, supervising quality and safety of projects during construction phase and examining the completion and settlement of projects;

- **outsourcing maintenance service**: maintenance and repairment of telecommunications towers and base stations infrastructure ancillary facilities, including but not limited to, on-site maintenance of the telecommunications towers, base stations and other ancillary facilities (including but not limited to the environmental facilities, batteries, air conditioners, power distribution boxes) and DAS, and gasoline or diesel power generation services;

- **intermediary service**: including tender/procurement agent services, i.e. services in relation to tender/procurement as instructed or authorised by the Company in accordance with relevant laws and regulations, including but not limited to, designing, amending and adjusting the tender/procurement plans, preparing and amending tender/procurement documents that comply with relevant laws and standards, issuing tender/procurement announcements, issuing tender/procurement documents, organizing meetings to explain and answer questions related to tender/procurement documents, collecting tender/answer documents, organizing bid openings in accordance with relevant regulations of the PRC, reviewing bids in due procedure, assisting the Company in determining the winning bidder, participating in commercial negotiations, meetings and discussions with the biding parties on behalf of the Company, assisting in assessing the bidding, participating in the preparation, amendment and negotiation of relevant contractual documents, conducting or assisting the Company in conducting the whole application and registration procedures during the bidding processes;

- **supply chain service**: supply chain services for individual construction projects, including but not limited to services relating to all aspects of supply chain, such as warehouse hosting, logistics and distribution, reverse logistics, logistics solutions consulting, terminal equipment sales, import and export agency, waste materials auction, product quality inspection and product repairment and maintenance; and/or

- **training service**: various technical, management and practical trainings, and third-party certification services for occupation or skill.

Service Period

The Service Supply Framework Agreements are valid from the Listing Date to December 31, 2020 and are renewable upon mutual agreement of the parties, respectively.

Pricing Policy

Transaction terms, such as services fees, payment method and miscellaneous expenses will be determined in accordance with relevant market price. If there is no market price, in order to make sure the prices of services offered are fair and reasonable, the parties shall refer to historical prices related to the services and, after collecting the information of market prices of such services in the industry through channels such as bids from other providers of similar services, determine the price based on average profit margin in the market or financial cost margin before agreeing on the pricing. Such costs include costs of raw materials, accessories, years of depreciation, labor, energy, management cost, financial fees and payable taxes and fees.

In determining the pricing standards, the parties should at least consider two comparable transactions entered into with the Independent Third Parties holding the same qualifications and conditions as those of the Telecom Group Companies and their associates during the same period where practical. The Company shall determine the specific method for providing project design/construction services through bidding or other procurement processes. The associates of the Telecom Group Companies which participate in the bidding shall have the qualifications and conditions not inferior to those of the Independent Third Parties, and shall participate in the bidding or other procurement processes on equal terms with the Independent Third Parties. In such case, both parties shall determine the pricing in accordance with the final prices agreed in the bidding or other procurement processes.

Historical Figures

Historical figures for transactions under the Service Supply Framework Agreement with CMCC

For the three years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018, the aggregate service fees paid to CMCC and its associates by the Company were RMB433 million, RMB799 million, RMB786 million and RMB131 million, respectively, representing 1.1%, 1.0%, 1.2%, and 1.4% of the total procurement expenditures and expenses of the Company.

Historical figures for transactions under the Service Supply Framework Agreement with CUC

For the three years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018, the aggregate service fees paid to CUC and its associates by the Company were RMB195 million, RMB631 million, RMB786 million and RMB139 million, respectively, representing 0.5%, 0.8%, 1.2%, and 1.4% of the total procurement expenditures and expenses of the Company.

Historical figures for transactions under the Service Supply Framework Agreement with CTC

For the three years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018, the aggregate service fees paid to CTC and its associates by the Company were RMB3,490 million, RMB6,217 million, RMB7,971 million and RMB1,246 million, respectively, representing 9.0%, 7.7%, 11.7%, and 12.8% of the total procurement expenditures and expenses of the Company.

Annual Caps

Annual caps for transactions under the Service Supply Framework Agreement with CMCC

The aggregate annual fees for transactions under the Service Supply Framework Agreement with CMCC for the three years ending December 31, 2018, 2019 and 2020 shall not exceed RMB950 million, RMB1,072 million and RMB1,211 million, respectively.

Annual caps for transactions under the Service Supply Framework Agreement with CUC

The aggregate annual fees for transactions under the Service Supply Framework Agreement with CUC for the three years ending December 31, 2018, 2019 and 2020 shall not exceed RMB932 million, RMB1,047 million and RMB1,177 million, respectively.

Annual caps for transactions under the Service Supply Framework Agreement with CTC

The aggregate annual fees for transactions under the Service Supply Framework Agreement with CTC for the three years ending December 31, 2018, 2019 and 2020 shall not exceed RMB9,769 million, RMB10,872 million and RMB12,103 million, respectively.

Basis of Annual Caps

In determining the proposed annual caps for the transactions contemplated under the Service Supply Framework Agreements, we have considered, among other things, the following key factors:

- historical figures mentioned above (in particular the highest transaction amount over the Track Record Period);
- the increase of our demand for outsourcing maintenance services due to the increase of the number of towers and other products in operation;
- it is expected that our demand for design, construction and supervision services tends to be stable in general with moderate increase in accordance with our business and construction plan;
- as per our communications with CTC, it is expected that CTC and its associates will commence new businesses (e.g. supply chain business and training business) in the future which may result in the increase in the transaction amounts between us;

- market condition, availability and the reasonable price range expected for construction, design, supervision, outsourcing maintenance, intermediary, supply chain and training services provided by each of the Telecom Group Companies and their respective associates; and

- the considerable increase of the labor cost during the Track Record Period and the expected rise in the future.

Reasons and Benefits of the Transaction

The Company is in need of the types of services under the Service Supply Framework Agreements in order to carry out its continuing business activities. The Company adopts methods such as bidding process to select relevant service providers in a fair and open manner during its ordinary and usual course of business. The Company is able to select freely among connected persons including the Telecom Group Companies and their respective associates or carry out transactions with Independent Third Parties to seek services based on a consistent standard. The Telecom Group Companies and/or their respective associates may become relevant service providers of the Company if they meet the standards (same standards as those for Independent Third Parties) of the Company in those procedures. The services under the Service Supply Framework Agreements are not exclusive. Besides, due to the long-term cooperation between each of the Telecom Group Companies and their respective associates and the Group, they understand the business requirement of the Company and therefore could provide us with quality services.

Implications under the Hong Kong Listing Rules and Waivers from Strict Compliance with the Hong Kong Listing Rules

Transactions with CMCC, CUC and their respective associates — waiver from strict compliance with announcement requirement

The highest applicable percentage ratio in respect of the transactions under each of the Service Supply Framework Agreements with each of CMCC and CUC is expected to be above 0.1% but less than 5%. Such transactions, therefore, shall be subject to the reporting, annual review and announcement requirements but exempt from independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

As the transactions under the Service Supply Framework Agreements with each of CMCC and CUC are expected to continue on a recurring and continuing basis, the Directors consider that strict compliance with the announcement requirement would be impracticable, unduly burdensome and would impose unnecessary administrative cost upon us.

Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted to the Company, a waiver under Rule 14A.105 of the Hong Kong Listing Rules from strict compliance with the announcement requirement under Rule 14A.35 of the Hong Kong Listing Rules in respect of the transactions under the Service Supply Framework Agreements with each of CMCC and CUC.

Transactions with CTC and its associates — waiver from strict compliance with announcement and independent shareholders' approval requirements

The highest applicable percentage ratio in respect of the transactions under the Service Supply Framework Agreement with CTC is expected to be above 5%. Such transactions, therefore, shall be subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

For the same reason discussed above, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted to us, a waiver under Rule 14A.105 of the Hong Kong Listing Rules from strict compliance with the announcement and independent shareholders' approval requirements under Rules 14A.35 and 14A.36 of the Hong Kong Listing Rules in respect of the transactions under the Service Supply Framework Agreement with CTC.

Fully-exempt Loans Provided by CMCC Group

CMCC Group provided loans to the Company in the past and are expected to continue to provide such services to the Company after the Listing. Such loans will constitute the continuing connected transactions of the Company.

During the Track Record Period, the historical figures in respect of the loans provided by CMCC Group are set out below:

	For the year ended December 31,			For the three months ended March 31,
	2015	2016	2017	2018
	(RMB million)			
Balance at the beginning of the period	—	3,000	4,650	19,309
Loans provided by CMCC Group	3,000	4,650	23,059	3,950
Repayments made by the Company	—	3,000	8,400	8,050
Balance at the end of the period	3,000	4,650	19,309	15,209

As such transactions, being a form of financial assistance (as defined in the Hong Kong Listing Rules), are conducted on normal commercial terms and are not secured by assets of the Company, they are fully exempt under Rule 14A.90 of the Hong Kong Listing Rules.

FULLY-EXEMPT TELECOMMUNICATIONS SERVICES PROVIDED BY EACH OF CMCC GROUP, CUC GROUP AND CTC GROUP

Each of CMCC Group, CUC Group and CTC Group provided telecommunications services, including but not limited to, telephone/mobile phone services for personal and business use, field supervision unit service for data monitoring, cloud service and broadband service to the Company in the past and is expected to continue to provide such services to the Company after the Listing. Such services will constitute the continuing connected transactions of the Company.

During the Track Record Period, the fees paid to each of CMCC Group, CUC Group and CTC Group by the Company in relation to the telecommunication services are set out below:

	For the year ended December 31,			For the three months ended March 31,
Fees paid to	**2015**	**2016**	**2017**	**2018**
		(RMB million)		
CMCC Group	10	18	19	3
CUC Group	10	15	52	4
CTC Group	13	20	24	—

As such services are on normal commercial terms and in the ordinary and usual course of business of the Company, and

- the services are types ordinarily supplied for private use or consumption;
- the services are for the Company's own consumption or use, and not to be processed into the Company's products, or for resale;
- there is an open market and transparency in the pricing of such services;
- the services are consumed or used by the Company in the same state as when they were bought; and
- the transaction are made on no less favorable terms to the Company than those available to Independent Third Parties,

such transactions, therefore, are fully exempt from reporting, annual review, announcement and the independent Shareholders' approval requirements under Rule 14A.97 of the Hong Kong Listing Rules.

OTHER TRANSACTIONS

Fully-exempt Procurement of Materials from each of the Telecom Group Companies and their Respective Associates

The Company adopts a standard process of procurement of products from suppliers which include Independent Third Parties as well as connect persons through its "E-procurement Platform," which provides the information of the suppliers, their products and the prices of the products. Therefore, the Company may purchase the products from the Telecom Group Companies and their respective associates as listed on its "E-procurement Platform" from time to time. The Company procured materials such as softwares and accessories and parts required by our business from each of the Telecom Group Companies and their respective associates. Such transactions were conducted and are expected to continue between the Company and each of the Telecom Group Companies and their respective associates in the Company's ordinary course of business depending on the actual business needs of the Company and the qualities and prices of the products provided by each of the Telecom Group Companies and their respective associates, and thus will constitute continuing connected transactions of the Company.

During the Track Record Period, the amounts paid to each of CMCC, CUC and CTC and their respective associates by the Company for the procurement of materials mentioned above are set out below:

	For the year ended December 31,			For the three months ended March 31,
Amounts paid to	**2015**	**2016**	**2017**	**2018**
		(RMB million)		
CMCC and its associates	3	23	—	—
CUC and its associates	4	3	—	—
CTC and its associates	17	9	6	—

As each of the applicable percentage ratios (other than the profits ratio) for the transactions mentioned above calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules is expected to be below 0.1% on an annual basis, such transactions fall within the *de minimis* threshold as stipulated under Rule 14A.76 of the Hong Kong Listing Rules and are fully-exempt from the reporting, annual review, announcement and independent shareholders' approval requirements.

MEASURES TO SAFEGUARD THE INTERESTS OF OUR SHAREHOLDERS

To safeguard the interests of the Shareholders as a whole, including the minority Shareholders, the Company has put in place internal approval and monitoring procedures relating to the connected transactions contemplated under the agreements mentioned above, which include the following:

- the pricing of the connected transactions should be no less favorable to the Company than the prices provided by the Independent Third Parties or provided to the Independent Third Parties in respect of similar products or services. If there is no market prices or the pricing is restricted, the written agreements shall set out the standard for the cost and profit of the relevant transactions;

- the Company has established the Connected Transaction Committee, comprising of all independent non-executive Directors and the chairman of the Board. The Connected Transaction Committee will consider the connected transactions requiring approval from the Board and/or Shareholders' general meeting, and provide opinion thereof to the Board;

- the independent non-executive Directors and auditors will conduct annual review of the non-exempt continuing connected transactions mentioned above and provide annual confirmations in accordance with the Hong Kong Listing Rules (as applicable) that the non-exempt continuing connected transactions are conducted in accordance with the terms of the relevant agreements, on normal commercial terms and in accordance with the pricing policy and/or do not exceed the proposed applicable annual caps; and

- we have formulated internal guidelines according to the Hong Kong Listing Rules, which provide approval procedures for connected transactions including:

    - the finance departments of our provincial branches shall review the transaction amounts of relevant continuing connected transactions quarterly;

    - in respect of the connected transactions not governed by the existing framework agreements (if any), our provincial branches shall communicate with the headquarters in advance and provide necessary documents to facilitate related decision-making and disclosure process;

    - the Company shall collect the transaction amount information monthly and conduct analysis of the data quarterly to manage the connected transactions; and

    - additional approvals are required for transactions exceeding the proposed annual caps (if applicable).

CONFIRMATION FROM THE DIRECTORS

The Directors (including the independent non-executive Directors) are of the view that (1) the continuing connected transactions as set out above have been and will be entered into in the ordinary and usual course of business of the Company and on normal commercial terms, and are fair and reasonable and in the interest of the Company and the Shareholders as a whole, and the absence of annual caps or the proposed annual caps for those transactions (as applicable) are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (2) the five-year term of those transactions under the Service Framework Agreements is in accordance with normal business practice, and the purpose of the agreements is to provide stability and certainty to the business of the Company and that therefore the five-year term of those transactions is fair and reasonable, and in the interests of Shareholders as a whole.

CONFIRMATION FROM THE JOINT SPONSORS

Based on the documentation and data provided by us and participation in the due diligence and discussion with us, the Joint Sponsors are of the view that (1) the aforesaid non-exempt continuing connected transactions have been entered into in the ordinary and usual course of business of the Company on normal commercial terms which are fair and reasonable, and in the interests of the Company and the Shareholders as a whole, and the proposed annual caps (if any) in respect of non-exempt continuing connected transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (2) the five-year tenure for the Service Framework Agreements is normal business practice for agreement of this type in accordance with Rule 14A.52 of the Listing Rules, as comparable contractual arrangements by international telecommunications tower infrastructure service providers usually have long-term arrangements from five years to 15 years.

OVERVIEW

The Board currently consists of seven Directors, including one executive Director, three non-executive Directors and three independent non-executive Directors. The Board is responsible and has the general authority for the management and operation of the Company. The Directors are typically appointed for a term of three years and are eligible for re-election upon expiry of their term of office.

The Supervisory Committee currently consists of six Supervisors, including four shareholder representative Supervisors and two employee representative Supervisors. The shareholder representative Supervisors are elected at the shareholders' general meetings. The employee representative Supervisors are elected by our employees. The Supervisors are typically appointed for a term of three years and are eligible for re-election upon expiry of their term of office.

Our senior management is responsible for the management of day-to-day operations of the Company.

DIRECTORS

The following table sets out the key information of the Directors as of the Latest Practicable Date.

Name	Age	Position	Date of joining the Company	Date of first appointment	Responsibility
Mr. Tong Jilu (佟吉祿)	60	Chairman of the Board	July 15, 2014	March 21, 2018	Taking charge of the overall affairs of the Board, participating in the formulation and implementation of the business and operation strategies of the Company and making significant business and operational decisions of the Company through the Board
		Executive Director		July 15, 2014	
		General Manager		July 16, 2014	Taking charge of the overall management and operation of the Company

Name	Age	Position	Date of joining the Company	Date of first appointment	Responsibility
Mr. Dong Xin (董昕)	52	Non-executive Director	May 3, 2018	May 3, 2018	Participating in the formulation of business plans, strategies and major decisions of the Company with his extensive experience in the telecommunications industry; member of the Strategy Committee; member of the Nomination Committee
Mr. Shao Guanglu (邵廣祿)	54	Non-executive Director	July 15, 2014	July 15, 2014	Participating in the formulation of business plans, strategies and major decisions of the Company with his extensive experience in the telecommunications industry; member of the Strategy Committee; member of the Remuneration and Appraisal Committee
Mr. Zhang Zhiyong (張志勇)	53	Non-executive Director	May 3, 2018	May 3, 2018	Participating in the formulation of business plans, strategies and major decisions of the Company with his extensive experience in the telecommunications industry; member of the Strategy Committee; member of the Audit Committee
Mr. Su Li (蘇力)	61	Independent non-executive Director	May 3, 2018	May 3, 2018	Supervising and offering independent judgment to the Board and serving on certain committees of the Board with his extensive experience in infrastructure engineering; member of the Strategy Committee; chairman of the Remuneration and Appraisal Committee; member of the Nomination Committee; member of the Connected Transaction Committee

Name	Age	Position	Date of joining the Company	Date of first appointment	Responsibility
Mr. Fan Cheng (樊澄)	62	Independent non-executive Director	May 3, 2018	May 3, 2018	Supervising and offering independent judgment to the Board and serving on certain committees of the Board with his extensive experience in accounting and management; member of the Remuneration and Appraisal Committee; member of the Nomination Committee; chairman of the Audit Committee; member of the Connected Transaction Committee
Mr. Tse Yung Hoi (謝湧海)	65	Independent non-executive Director	May 3, 2018	May 3, 2018	Supervising and offering independent judgment to the Board and serving on certain committees of the Board with his extensive experience in finance, investment and management; member of the Nomination Committee; member of the Audit Committee; chairman of the Connected Transaction Committee

Mr. Tong Jilu (佟吉祿) has been an executive Director since July 2014, the chairman of the Board since March 2018 and the general manager of the Company since July 2014. Mr. Tong served as deputy director of Liaoning Posts and Telecommunications Administration from November 1998 to December 1998, and deputy director of Liaoning Posts Bureau from December 1998 to July 2000. He then successively served in several positions with China United Telecommunications Corporation (the predecessor of CUC) , including chief accountant from July 2000 to February 2001, deputy general manager from February 2001 to August 2003, director and deputy general manager from August 2003 to November 2004, and director, deputy general manager and chief accountant from December 2004 to January 2009. Mr. Tong successively served in several positions with CUC, including director, deputy general manager and chief accountant from January 2009 to April 2011, and director and deputy general manager from May 2011 to August 2014. He also served as executive director and chief financial officer of China Unicom Limited (the predecessor of China Unicom) from February 2004 to October 2008. He successively served in several positions with China Unicom, including executive director and chief financial officer from October 2008 to March 2011, and executive director and senior vice president from March 2011 to August 2014.

Mr. Tong graduated from Beijing Institute of Posts and Telecommunications (renamed as Beijing University of Posts and Telecommunications in 1993) in July 1987 and majored in posts and telecommunications economic management by way of correspondence. He graduated from Australian National University in October 2002 with a master’s degree of international management, and from the Hong Kong Polytechnic University in October 2009 with a doctor’s degree of management. He was recognized as a senior economist in January 1993 by the Professional Review Committee of Economics, Accounting and Statistics of Liaoning Posts and Telecommunications Administration.

Mr. Dong Xin (董昕) has been a non-executive Director since May 2018. Mr. Dong successively served as deputy director and director of economic adjustment division of the department of economic adjustment and communications clearing of the former Ministry of Information Industry from September 1998 to June 2000. He successively served as general manager of the finance department and then the director of the treasury department of CMCC from June 2000 to March 2003; director, chairman and general manager of China Mobile Group Hainan Company Limited from March 2003 to August 2006; general manager of the planning department of CMCC from August 2006 to July 2010; director, chairman and general manager of China Mobile Group Henan Company Limited from July 2010 to February 2012, and director, chairman and general manager of China Mobile Group Beijing Company Limited from February 2012 to August 2013. He has been deputy general manager of CMCC since August 2013, general legal counsel of CMCC since March 2016 and executive director, vice president and chief financial officer of China Mobile since March 2017.

Mr. Dong graduated from Beijing Institute of Posts and Telecommunications (renamed as Beijing University of Posts and Telecommunications in 1993) in July 1989 and majored in posts and telecommunications administration engineering. He graduated from Australian National University in October 2002 with a master's degree of international management. He graduated from Rennes School of Business, France in June 2008 with a doctor's degree of business administration. He was recognized as a senior engineer in November 2007 by CMCC and senior accountant in September 1998 by personnel division of Ministry of Posts and Telecommunications.

Mr. Shao Guanglu (邵廣祿) has been a non-executive Director since July 2014. Mr. Shao successively served in several positions with China United Telecommunications Corporation (the predecessor of CUC), including deputy general manager of the Tianjin branch from September 2001 to March 2005, deputy general manager of the Henan branch from March 2005 to November 2006 and general manager of Guangxi Branch from November 2006 to November 2008. He successively served in several positions with CUC, including general manager of the human resource department from November 2008 to March 2011 and deputy general manager since March 2011. Mr. Shao successively served in several positions with China Unicom, including senior vice president since April 2011 and executive director since March 2017. He served as director of China Unicom A Share Company from April 2016 to February 2018, non-executive Director of PCCW Limited (a company listed on the Hong Kong Stock Exchange, stock code: 0008, and with American Depositary Receipts trading on OTC Markets Group Inc.) since March 2017 and non-executive Director of CCS since June 2017.

Mr. Shao graduated from Harbin Institute of Technology and obtained a bachelor's degree of engineering in July 1985, a master's degree of engineering in July 1988 and a master's degree of economics in July 1990. He graduated from BI Norwegian Business School in September 2001 with a master's degree of management, and graduated from Nankai University in Tianjin, PRC in December 2009 with a doctor' s degree of management. He was recognized as a professor-level senior engineer in November 2017 by SASAC. He is a member of the strategy committee of GSM Association, a member of the board of directors of Open Networking Foundation, vice president of China Information Technology Industry Federation and deputy director of Communications Science and Technology Committee of MIIT.

Mr. Zhang Zhiyong (張志勇) has been a non-executive Director since May 2018. Mr. Zhang served as director of Qinhuangdao Telecommunications Bureau from November 1999 to July 2000, general manager of Qinhuangdao Branch of Hebei Telecom Company Limited from July 2000 to June 2002, deputy general manager of Beijing Telecom Company Limited from June 2002 to December 2002, and manager of the industry management department of CTC from December 2002 to June 2010. He successively served in several positions with CCS, including deputy general manager from October 2006 to January 2008, executive director from August 2007 to June 2010 and general manager from January 2008 and June 2010. He successively served in several positions with China Telecom, including general manager of Xinjiang Branch from June 2010 to March 2014, and general manager of Beijing Branch from March 2014 to November 2017. He has been vice president of CTC since November 2017, chairman of the board and executive director of directors of CCS since March 2018 and executive vice president of China Telecom since July 2018.

Mr. Zhang graduated from Changchun Institute of Posts and Telecommunications (which was merged into Jilin University in 2000) in July 1986 with a bachelor's degree of wireless communications. He graduated from Yanshan University in Qinhuangdao, PRC in July 2002 with a master's degree of engineering. He also graduated from BI Norwegian Business School in August 2005 with a master's degree in management.

Mr. Su Li (蘇力) has been an independent non-executive Director since May 2018. Mr. Su successively served as head of the power grid engineering office of the engineering and construction bureau, deputy director of the power grid construction department and deputy general manager of the power grid construction branch of the State Power Corporation from August 1997 to January 2001, and deputy general manager of Shandong Power Corporation from January 2001 to January 2003. He successively served in several positions with the China Power Investment Corporation, including manager of the engineering department from January 2003 to January 2007, chief engineer (infrastructure) and manager of the engineering department and from January 2007 to September 2007, chief infrastructure engineer from September 2007 to February 2009 and deputy general manager from February 2009 to June 2015. He has been external director of the State Development and Investment Corporation since February 2017 and external director of China Aviation Supplies Holding Company since September 2017.

Mr. Su graduated from Nanjing Institute of Technology (renamed as Southeast University in 1988) in January 1982 with a bachelor's degree of engineering in power generation plants and power systems. He has been a recipient of a special government allowance by the State Council since October 2005.

Mr. Fan Cheng (樊澄) has been an independent non-executive Director since May 2018. Mr. Fan served as deputy general manager of New Technology Venture Capital Company from September 1996 to March 2001. Mr. Fan successively served in several positions with China National Aviation Holding Company, including officer of the reorganisation office from March 2001 to December 2002, general manager of the corporate management department from December 2002 to August 2003, and general manager of the capital operation department from August 2003 to September 2004. He successively served in several positions with Air China Limited (a company listed on the Hong Kong Stock Exchange, stock code: 00753; the Shanghai Stock Exchange, stock code: 601111; and the London Stock Exchange, stock code: AIRC), including director, secretary of the board of directors and chief accountant from September 2004 to January 2005, director and chief accountant from January 2005 to October 2006, director, vice president and chief accountant from October 2006 to February 2011, vice president and chief accountant from February 2011 to July 2014, and vice president from July 2014 to March 2016. Mr. Fan successively served in several positions with Shenzhen Airlines Company Limited, including vice chairman of the board of directors from January 2005 to April 2010 and chairman of the board of directors from April 2010 to May 2010. He has been external director of China Aviation Supplies Holding Company since September 2017 and external director of Xinxing Cathay International Group Co., Ltd since January 2018.

Mr. Fan graduated from Nanjing Institute of Chemical Technology (renamed as Nanjing University of Technology in 2001) in February 1982 with a bachelor's degree of general organic chemical industry. He graduated from Peking University in July 2000 with an MBA degree (part time). He was recognized as a senior engineer in April 1996 by the State Scientific and Technological Commission, senior accountant in August 1997 by the Ministry of Finance and Certified Public Accountant by the Chinese Institute of Certified Public Accountants.

Mr. Tse Yung Hoi (謝湧海) has been an independent non-executive Director since May 2018. Mr. Tse has been serving in several positions with BOCI Prudential Asset-Management Limited, including director since January 2003 and chairman of the board of directors since September 2004. Before that, he served as deputy general manager of the investment management department and capital department of Bank of China from October 1998 to December 2002. He served as deputy chief executive officer of BOC International Holding Limited from December 2002 to December 2012. He has also been served as independent non-executive director of BOCOM International Holdings Company Limited (a company listed on the Hong Kong Stock Exchange, stock code: 3329) since June 2014, independent non-executive director of HJ Capital (International) Holdings Company Limited (a company listed on the Hong Kong Stock Exchange, stock code: 982) since July 2014, independent non-executive director of Guoan International Limited (a company listed on the Hong Kong Stock Exchange, stock code: 143) since March 2016, independent non-executive director of DTXS Silk Road Investment Holdings Company Limited (a company listed on the Hong Kong Stock Exchange, stock code: 620) since November 2017 and independent non-executive director of Vico International Holdings Limited (a company listed on the Hong Kong Stock Exchange, stock code: 1621) since January 2018. He served as independent non-executive director of Huarong International Financial Holdings Limited (a company listed on the Hong Kong Stock Exchange, stock code: 993) from October 2015 to June 2016, and non-executive director of DTXS Silk Road Investment Holdings Company Limited from December 2015 to November 2017.

Mr. Tse graduated from Fudan University in Shanghai, PRC in July 1975 and majored in English. He was awarded the Bronze Bauhinia Star (BBS) by the government of Hong Kong in July 2013. He also serves as a council member of HKSAR Financial Services Development Council (FSDC), life honorary president of Hong Kong Chinese Securities Association and a standing committee member of the Chinese General Chamber of Commerce. He was a member of the 12th Chinese People's Political Consultative Conference Shanghai Committee.

SUPERVISORS

The following table sets out the key information of the Supervisors.

Name	Age	Position	Date of joining the Company	Date of first appointment	Responsibility
Mr. Li Wenmin (李文民)	54	Chairman of the Supervisory Committee, employee representative Supervisor	November 14, 2014	May 3, 2018	Directing the activities of the Supervisory Committee and arranging for the Supervisors to supervise the operating and financial activities of the Company on a collective basis
Ms. Gao Lingling (高玲玲)	56	Shareholder representative Supervisor	July 15, 2014	July 15, 2014	Supervising the operating and financial activities of the Company on a collective basis, with her extensive experience, in particular, in internal audit
Ms. Guo Xiaolin (郭小林)	52	Shareholder representative Supervisor	July 15, 2014	July 15, 2014	Supervising the operating and financial activities of the Company on a collective basis, with her extensive experience, in particular, in risk management and audit
Mr. Sui Yixun (隋以勛)	54	Shareholder representative Supervisor	May 3, 2018	May 3, 2018	Supervising the operating and financial activities of the Company on a collective basis, with his extensive experience, in particular, in audit
Mr. Wang Zhixue (王志學)	36	Shareholder representative Supervisor	May 3, 2018	May 3, 2018	Supervising the operating and financial activities of the Company on a collective basis, with his experience, in particular, in capital management and investment
Mr. Wang Hongwei (王宏偉)	52	Employee representative Supervisor	November 14, 2014	May 3, 2018	Supervising the operating and financial activities of the Company on a collective basis, with his experience, in particular, in human resources management

Mr. Li Wenmin (李文民) has been the Chairman of the Supervisory Committee since May 2018. He served as general manager of the business cooperation department of the Company from November 2014 to October 2016, director of CPC working group of the Company from October 2016 to June 2017, and vice chairman of the labor union of the Company and director of CPC working group since June 2017. He successively served in several positions with Shandong Posts Bureau, including director of the engineering and construction department from January 1999 to December 1999, assistant to director and head of the information technology department from January 2000 to August 2001 and deputy director from August 2001 to November 2006. He successively served in several positions with the network operation department of China Post Group Corporation, including deputy general manager from December 2006 to July 2007 and general manager from July 2007 to May 2012. Mr. Li also served as general manager of Jilin Post Company from May 2012 to November 2014.

Mr. Li graduated from Nanjing Institute of Posts and Telecommunications (renamed as Nanjing University of Posts and Telecommunications in 2005) in July 1983 and majored in telecommunications engineering. He was recognized as a senior engineer in January 1995 by Shandong Posts and Telecommunications Administration.

Ms. Gao Lingling (高玲玲) has been a Supervisor since July 2014. Ms. Gao successively served in several positions with CMCC, including officer in charge of the finance department from July 1999 to June 2000, deputy director of the finance department from June 2000 to September 2000, director of the capital and asset division from June 2000 to September 2000, manager of the capital and asset division from September 2000 to April 2006, deputy general manager of the finance department, director of capital allocation center and manager of the capital management division from April 2006 to September 2007, deputy general manager of the internal audit department from September 2007 to June 2010, and general manager of the internal audit department since June 2010. She has been general manager of the internal audit department of China Mobile since September 2007 and has been supervisor of USTC iFlytek Co., Ltd. (a company listed on Shenzhen Stock Exchange, stock code: 002230) since January 2013.

Ms. Gao graduated from Beijing Institute of Posts and Telecommunications (renamed as Beijing University of Posts and Telecommunications in 1993) in July 1984 with a bachelor's degree of engineering and majored in posts and telecommunications management engineering and graduated from the University of Maryland in the United States in June 2004 with an MBA degree. She was recognized as a senior accountant in September 1998 by the personnel division of the Ministry of Posts and Telecommunications.

Ms. Guo Xiaolin (郭小林) has been a Supervisor since July 2014. Ms. Guo served as deputy director of the finance department of Directorate General of Telecommunications of the Ministry of Posts and Telecommunications from October 1998 to May 2002. She successively served in several positions with China Network Communications Group Corporation, including manager of the capital and asset division of the planning and finance department from October 1998 to May 2002, deputy general manager of the audit department from November 2003 to December 2006 and general manager of the audit department from December 2006 to November 2008. She then successively served in several positions with CUC, including general manager of the risk management department from November 2008 to April 2010, general manager of the legal and risk management department from April 2010 to April 2012 and general manager of the audit department since April 2012.

Ms. Guo graduated from Peking University in July 2006 with an EMBA degree. She was recognized as a senior accountant in May 1997 by the personnel division of Ministry of Posts and Telecommunications.

Mr. Sui Yixun (隋以勛) has been a Supervisor since May 2018. Mr. Sui served as deputy manager of Shandong Posts and Telecommunications Equipment Company and deputy director of the material supply department of Shandong Posts and Telecommunications Administration from October 1995 to June 2000. He served as office director and director of the market regulation department of Shandong Communications Administration Bureau from June 2000 to July 2002. Mr. Sui successively served in several positions with Shandong Telecom Company Limited, including member of the preparatory team from July 2002 to September 2002, deputy general manager from September 2002 to September 2003, and deputy general manager and labor union preparatory team leader from September 2003 to May 2004. He successively served in several positions with CTC Group, including deputy general manager of Northern Telecom Company Limited from May 2004 to February 2008, general manager of Inner Mongolia branch of China Telecom from February 2008 to November 2013 and general manager of the audit department since November 2013. He successively served in several positions with China Telecom, including general manager of Inner Mongolia Branch from February 2008 to November 2013, general manager of the audit department since November 2013 and chairman of the supervisory committee since March 2015.

Mr. Sui graduated from Beijing Institute of Posts and Telecommunications (renamed as Beijing University of Posts and Telecommunications in 1993) in July 1984 with a bachelor's degree of engineering and majored in posts and telecommunications management engineering, and graduated from Tsinghua University in July 2005 with an EMBA degree. Mr. Sui was recognized as a senior economist in December 1997 by Shandong Posts and Telecommunications Administration.

Mr. Wang Zhixue (王志學) has been a Supervisor since May 2018. Mr. Wang served as staff member of Economy Technology Research Institute of China Petrochemical Corporation from July 2005 to December 2006, staff member of Beijing Zhongxing Xinshiji accounting firm from December 2006 to March 2008, during which he served in the property rights administration bureau of the SASAC on secondment from December 2006 to March 2008. He served with SOE Performance Evaluation Center of SASAC from March 2008 to May 2015, during which he served as senior staff member from May 2014 to May 2015. He successively served in several positions with the asset management department (renamed as capital operation management department) of China Reform, including manager from May 2015 to November 2015, senior manager from November 2015 to July 2017, and deputy general manager from July 2017 to January 2018. He has been deputy general manager of the capital operation management department and deputy general manager of the investment development department of China Reform since January 2018. Mr. Wang has been director of Shanghai 3F New Materials Company Limited (a company listed on Shanghai Stock Exchange, stock code: 600636), since March 2018.

Mr. Wang graduated from Beijing Forestry University in July 2005 with a bachelor's degree of management and majored in accounting. He was recognized as an intermediate economist in April 2011 by Beijing Municipal Bureau of Human Resources and Social Security.

Mr. Wang Hongwei (王宏偉) has been a Supervisor since May 2018. He served as senior director of the human resources department of the Company from November 2014 to April 2017, deputy general manager of the human resources department of the Company from April 2017 to June 2017 and has been deputy general manager of the audit department of the Company since June 2017. Mr. Wang successively served in several positions with China United Telecommunications Corporation (the predecessor of CUC), including deputy manager of the remuneration welfare division of the human resources department from August 2000 to May 2002, manager of the general division of human resources department from May 2002 to August 2003, director of the human resources department of Guangdong branch from August 2003 to December 2005, manager of the labor capital division of the human resources department from January 2006 to November 2008. He served as manager of the remuneration welfare and long-term incentive division of the human resources department of CUC from December 2008 to November 2014.

Mr. Wang graduated from Renmin University of China in July 1989 and majored in labor economics. He was recognized as an intermediate economist in April 1994 by the Ministry of Personnel.

SENIOR MANAGEMENT

The following table sets out the key information of our senior management.

Name	Age	Position	Date of joining the Company	Date of first appointment	Responsibility
Mr. Tong Jilu (佟吉祿)	60	Chairman of the Board	July 15, 2014	March 21, 2018	Taking charge of the overall affairs of the Board, participating in the formulation and implementation of the business and operation strategies of the Company and making significant business and operational decisions of the Company through the Board
		Executive Director		July 15, 2014	
		General Manager		July 16, 2014	Taking charge of the overall management and operation of the Company

Name	Age	Position	Date of joining the Company	Date of first appointment	Responsibility
Mr. Gao Buwen (高步文)	60	Deputy general manager	August 4, 2014	August 4, 2014	Assisting in operation of the Company, presiding over the Company's construction and maintenance work
Mr. Gu Xiaomin (顧曉敏)	54	Deputy general manager	August 4, 2014	August 4, 2014	Assisting in operation of the Company, presiding over the Company's marketing and communications technology research
Mr. Gao Chunlei (高春雷)	52	Chief accountant	August 4, 2014	August 4, 2014	Assisting in operation of the Company, presiding over the Company's finance, human resources and training
Mr. Sun Baotian (孫寶田)	55	Member of senior management	November 18, 2016	November 18, 2016	Responsible for the disciplinary supervision work of the Company

Mr. Tong Jilu (佟吉祿) has been an executive Director since July 2014, the chairman of the Board since March 2018 and the general manager of the Company since July 2014. See "— *Directors*" above for the biographical details of Mr. Tong.

Mr. Gao Buwen (高步文) has been a deputy general manager of the Company since August 2014. Mr. Gao served as general manager of Shanxi Mobile Telecommunications Corporation from July 1999 to July 2002, chairman of the board of directors and general manager of Shanxi Mobile Telecommunications Corporation Limited from July 2002 to August 2006, chairman of the board of directors and general manager of China Mobile Group Shanxi Co., Ltd. from August 2006 to July 2010, and chairman of the board of directors and general manager of China Mobile Group Liaoning Co., Ltd. from July 2010 to August 2014.

Mr. Gao graduated from Beijing Institute of Posts and Telecommunications (renamed as Beijing University of Posts and Telecommunications in 1993) in January 1982 with a bachelor's degree of telecommunications machinery. He was recognized as a senior engineer in November 1997 by Shanxi Posts and Telecommunications Administration.

Mr. Gu Xiaomin (顧曉敏) has been a deputy general manager of the Company since August 2014 and the chairman of the labor union of the Company since June 2017. Mr. Gu successively served in several positions with Ministry of Posts and Telecommunications, including senior staff member of the staff education division of the education department from February 1996 to November 1997, and senior staff member of the secretary division of the general affairs office from November 1997 to September 1998. He successively served in several positions with the minister's office of general affairs office of Ministry of Information Industry, including senior staff member from September 1998 to December 1998, and secretary of a deputy division director level from December 1998 to February 1999. He successively served in several positions with China United Telecommunications Corporation (the predecessor of CUC), including secretary to the chairman of the board of directors from February 1999 to August 2000, secretary of manager-level from August 2000 to August 2001, deputy general manager of Jiangsu Branch from August 2001 to January 2004, general manager of Yunnan Branch from January 2004 to February 2006, and general manager of the finance department from February 2006 to November 2008. He successively served in several positions with CUC, including officer in charge of the planning and management department from December 2008 to February 2009, general manager of the planning and management department from February 2009 to April 2010, general manager of the market department from April 2010 to April 2012, and deputy general manager of network branch and general manager of the operation and maintenance department of network branch from April 2012 to September 2014.

Mr. Gu graduated from Nanjing Institute of Posts and Telecommunications (renamed as Nanjing University of Posts and Telecommunications in 2005) in July 1985 with a bachelor's degree of engineering and majored in radio engineering, from Shanghai Jiao Tong University in July 1987 with a bachelor's degree of law, from Peking University in May 2001 and majored in EMBA, from the Australian National University in December 2003 with a master's degree of international management and from Rennes School of Business, France in June 2008 with a doctor's degree of business administration. Mr. Gu was recognized as a senior engineer in September 1998 by Ministry of Posts and Telecommunications.

Mr. Gao Chunlei (高春雷) has been the chief accountant of the Company since August 2014. Mr. Gao served as deputy director of Posts and Telecommunications Bureau of Jingsha (renamed as Jingzhou afterwards), Hubei from February 1996 to January 1997, deputy director of Posts and Telecommunications Bureau of Jingzhou, Hubei from January 1997 to December 1998, deputy director of Telecommunications Bureau of Jingzhou, Hubei from December 1998 to June 2000. He served as vice director of the planning and finance department of Hubei Telecommunications Corporation from June 2000 to April 2003, deputy general manager of Hubei Telecommunications Corporation from April 2003 to November 2005 (during which he served as director and deputy general manager of Hubei Telecom Company Limited from April 2003 to March 2004), deputy general manager and chief accountant of Hubei Telecommunications Corporation and director, deputy general manager and chief accountant of Hubei Telecom Company Limited from November 2005 to April 2008, deputy general manager and chief financial officer of Hubei branch of China Telecom and deputy general manager and chief accountant of China Telecom Group Hubei Corporation from April 2008 to February 2012, and general manager of China Telecom Heilongjiang branch, general manager of Heilongjiang branch of CTC and general manager of Heilongjiang network assets branch of CTC from February 2012 to August 2014.

Mr. Gao graduated from Beijing Institute of Posts and Telecommunications (renamed as Beijing University of Posts and Telecommunications in 1993) in July 1988 and majored in management engineering, from Australian National University in December 2005 with an MBA degree, and from Rennes School of Business, France with a doctor's degree of business administration in May 2012. Mr. Gao was recognized as a senior economist in November 1997 by Hubei Posts and Telecommunications Administration and a chief accountant in August 2009 by China Associate of Chief Financial Officers.

Mr. Sun Baotian (孫寶田) has been a member of the senior management of the Company since November 2016. Mr. Sun successively served in several positions with China Hydro Power Construction Company, including deputy head of the department of labor and education from October 1994 to October 2000, head of the discipline inspection and supervision department from October 2000 to February 2001 and deputy leader of the discipline inspection team and head of the supervision department from February 2001 to September 2003. He successively served in several positions with Sinohydro Corporation, including deputy leader of the discipline inspection team and head of the supervision department from September 2003 to February 2006, deputy secretary of the provisional discipline committee and head of the supervision department from February 2006 to February 2007, deputy secretary and head of the supervision department from February 2007 to January 2010, and deputy secretary of the provisional discipline committee and head of the supervision department from January 2010 to March 2010. He successively served in several positions with Sinohydro Group Limited (a company listed on the Shanghai Stock Exchange, stock code: 601669, and renamed as Power Construction Corporation Of China, Ltd. in January 2014), including deputy secretary of the discipline committee, head of the supervision department and supervisor from January 2010 to December 2012, deputy secretary of the Party Committee and secretary of the discipline committee from December 2012 to May 2013, deputy secretary of the Party Committee, secretary of the discipline committee and chairman of the Supervisory Committee from May 2013 to February 2014, deputy secretary of the discipline committee and chairman of the Supervisory Committee from February 2014 to June 2014, and deputy secretary of the discipline committee from June 2014 to October 2014. He served as deputy secretary of the discipline committee of Power Construction Corporation of China from October 2014 to November 2016.

Mr. Sun graduated from the Party School of the Central Committee of the Communist Party of China in Beijing, PRC in December 2000 and majored in economics and management by way of correspondence. He was recognized as economist and senior economist by the review committee for Senior Economists of China Hydro Power Construction Company in October 1993 and October 1998, respectively.

Save as disclosed in this prospectus, none of the Directors, Supervisors and members of senior management has been a director of any public company the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the Latest Practicable Date.

As of the Latest Practicable Date, save as disclosed in this prospectus,

(i) none of the Directors had any interests in any business, which competes or is likely to compete, either directly or indirectly with our business;

(ii) none of the Directors, Supervisors or members of senior management is related to any other Directors, Supervisors and members of senior management;

(iii) none of the Directors, Supervisors or members of senior management holds any interest in the Shares which would be required to be disclosed pursuant to Part XV of the Securities and Futures Ordinance; and

(iv) there is no additional matter with respect to the appointment of the Directors or Supervisors that needs to be brought to the attention of the Shareholders, and there is no additional information relating to the Directors or Supervisors that is required to be disclosed pursuant to Rule 13.51(2) of the Hong Kong Listing Rules.

COMPANY SECRETARY

Ms. Chu Ka Yee (朱嘉儀), aged 51, has been the company secretary of the Company since May 2018 and is responsible for the company secretarial matters of the Company. She served as company secretary of China Unicom Limited (the predecessor of China Unicom) from February 2006 to October 2008 and company secretary of China Unicom from October 2008 to October 2015. She served as company secretary of China Telecom, from November 2015 to December 2016. She served as the Head of Listed Company Advisory of Freshfields Bruckhaus Deringer, an international law firm, from December 2016 to April 2018.

Ms. Chu graduated from Chinese University of Hong Kong with a bachelor's degree with first class honour in business administration in December 1988, and from University of New South Wales with an MBA degree in September 2011. Ms. Chu is a Fellow Member of The Association of Chartered Certified Accountants (FCCA), a Fellow Member of The Institute of Chartered Accountants in England and Wales (FCA), an Associate Member of the Hong Kong Institute of Certified Public Accountants (CPA), a Fellow Member of The Institute of Chartered Secretaries and Administrators (FCIS) and a Fellow Member of The Hong Kong Institute of Chartered Secretaries (FCS). She has over 25 years of company secretarial, accounting and financial management experience in listed companies.

BOARD COMMITTEES

We have established five Board committees, namely the Strategy Committee, the Remuneration and Appraisal Committee, the Nomination Committee, the Audit Committee and the Connected Transaction Committee.

Strategy Committee

The Strategy Committee consists of five Directors, namely Mr. Tong Jilu, Mr. Dong Xin, Mr. Shao Guanglu, Mr. Zhang Zhiyong and Mr. Su Li. Mr. Tong Jilu currently serves as the chairman of the committee.

The main responsibilities of the Strategy Committee of include:

(i) studying and making recommendations on the mid-to-long-term development strategy plan, operating objectives and development guidelines of the Company;

(ii) studying and making recommendations on the operating strategies of the Company, including but not limited to product strategy, marketing strategy, research and development strategy and talent strategy;

(iii) studying and making recommendations on material strategic investments and financing proposals of the Company; and

(iv) other matters authorized by the Board or required under the relevant laws and regulations.

Remuneration and Appraisal Committee

The Remuneration and Appraisal Committee consists of three Directors, namely, Mr. Su Li, Mr. Shao Guanglu and Mr. Fan Cheng. Mr. Su Li currently serves as the chairman of the committee.

The main responsibilities of the Remuneration and Appraisal Committee include:

(i) making recommendations to the Board on the formulation procedure of the remuneration policy;

(ii) formulating remuneration proposal, plan or structure, and making recommendations to the Board;

(iii) examining the performance of the Directors and senior management members of the Company and performing annual performance appraisals over them;

(iv) reviewing and supervising the implementation of the remuneration system of the Company and approving the remuneration recommendation of the management;

(v) determining the remuneration packages of all the executive Directors and senior management members;

(vi) making recommendations to the Board on the remuneration of the non-executive Directors (including independent non-executive Directors); and

(vii) other matters authorized by the Board or required under the relevant laws and regulations.

Nomination Committee

The Nomination Committee consists of five Directors, namely, Mr. Tong Jilu, Mr. Dong Xin, Mr. Su Li, Mr. Fan Cheng and Mr. Tse Yung Hoi. Mr. Tong Jilu currently serves as the chairman of the committee.

The main responsibilities of the Nomination Committee include:

(i) reviewing the scale, structure, size and composition of the Board (including skill, knowledge and experience);

(ii) studying the selection criteria and procedure of the Directors and senior management members and making recommendations to the Board;

(iii) comprehensively identifying qualified candidates for the Directors and senior management members, and selecting and nominating the relevant person to become the Director or making recommendations to the Board;

(iv) examining the other senior management members who shall be proposed to the Board for appointment, and making recommendations to the Board; and

(v) other matters authorized by the Board or required under the relevant laws and regulations.

Audit Committee

The Audit Committee consists of three Directors, namely, Mr. Fan Cheng, Mr. Zhang Zhiyong and Mr. Tse Yung Hoi. Mr. Fan Cheng currently serves as the chairman of the committee.

The main responsibilities of the Audit Committee include:

(i) proposing engagement or replacement of the external audit firm;

(ii) reviewing the financial information of the Company;

(iii) monitoring the financial reporting system, risk management and internal control system of the Company; and

(iv) other matters authorized by the Board or required under the relevant laws and regulations.

Connected Transaction Committee

The Connected Transaction Committee consists of four Directors, namely, Mr. Tse Yung Hoi, Mr. Tong Jilu, Mr. Su Li and Mr. Fan Cheng. Mr. Tse Yung Hoi currently serves as the chairman of the committee.

The main responsibilities of the Connected Transaction Committee include:

(i) collecting and administrating the information of the connected persons;

(ii) managing and reviewing the connected transactions, and controlling the risks associated with connected transactions;

(iii) organising the annual review of the connected transactions;

(iv) reviewing the information and disclosures of connected persons and connected transactions;

(v) formulating the regulations and management regulations in relation to the connected transactions of the Company;

(vi) proposing to the Board for approval after deliberation of the connected transactions; and

(vii) other matters authorized by the Board or required under the relevant laws and regulations.

DIVERSITY

We are committed to promoting the culture of diversity in the Company. Due to the need of ramping up the operation of the Company with a relatively short history, many of our Directors have telecommunications-related experience and background. In such a context, we have strived to promote diversity to the extent practicable by taking into consideration a number of factors (including but not limited to professional experience, industry background and gender) in our corporate governance structure. In particular, we have (i) introduced independent non-executive Directors with different industry backgrounds, (ii) included female members into the Supervisory Committee, and (iii) appointed Ms. Chu Ka Yee as the company secretary who has extensive experience in company secretarial matters.

We have adopted the board diversity policy which sets out the objective and approach to achieve and maintain diversity of our Board in order to enhance the effectiveness of our Board. Pursuant to the board diversity policy, we seek to achieve Board diversity through the consideration of a number of factors, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service. Our Nomination Committee is delegated by our Board to be responsible for compliance with relevant codes governing board diversity under the Corporate Governance Code. After the Listing, our Nomination Committee will review the board diversity policy from time to time to ensure its continued effectiveness and we will disclose in our corporate governance report about the implementation of the board diversity policy on an annual basis.

We are also committed to adopting similar approach to promote diversity of the Supervisory Committee and the management (including but not limited to the senior management) of the Company to enhance the effectiveness of our corporate governance as a whole.

DEVIATION FROM CODE PROVISION A.2.1 OF THE CORPORATE GOVERNANCE CODE

Mr. Tong Jilu is the chairman of the Board and the general manager of the Company. In view of Mr. Tong's experience, personal profile and his roles in the Company as mentioned above, the Board considers it beneficial to the business prospects and operational efficiency of the Company that Mr. Tong, in addition to acting as the chairman of the Board, continues to act as the general manager of the Company after the Listing.

While this will constitute a deviation from Code Provision A.2.1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, the Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that:

(i) there is sufficient check and balance in the Board as the decision to be made by the Board requires approval by at least a majority of the Directors and our Board has three independent non-executive Directors out of the seven Directors, which is in compliance with the Listing Rules;

(ii) Mr. Tong and the other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that they act for the benefit and in the best interest of the Company and make decisions for the Company accordingly;

(iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of the Company; and

(iv) the overall strategic and other key business, financial, and operational policies of the Company are made collectively after thorough discussion at both Board and senior management levels. The Board will continue to review the effectiveness of the corporate governance structure of the Company in order to assess whether separation of the roles of the chairman of the Board and the general manager of the Company is necessary.

THE PARTY COMMITTEE

According to the Constitution of the Communist Party of China, the Company has established the Committee of the Communist Party of the Company. Its duties and responsibilities, according to the Articles of Association, are:

(i) to ensure and supervise the Company's implementation of policies and guidelines of the Communist Party of China and the State, and implement major strategic decisions of the Central Committee of the Communist Party of China and the State Council, as well as important work arrangements of the Party committee of the SASAC and the Party organizations of higher levels;

(ii) to uphold a principle combining (a) the principle of management of cadres by the Party, (b) the Board's legitimate right to appoint the management, and (c) the management's legitimate right to staffing; to consider and opine on the candidates nominated by the Board or the general manager of the Company, or recommend nominees to the Board or the general manager of the Company; to evaluate the proposed candidates in conjunction with the Board, and to collectively consider and provide relevant suggestions;

(iii) to consider and discuss matters on the reform, development and stability of the Company, major operation and management matters as well as key issues involving the vital interests of employees, and provide relevant suggestions; and

(iv) to take responsibility for comprehensive and strict management of the Party; to lead the ideological and political work, united front work, construction of spiritual civilization, construction of enterprise culture, and the work of the trade union, the Communist Youth League and other mass groups and organizations of the Company; to lead the improvement of conduct and uphold the integrity of the Party, and to support the supervision work by the discipline inspection commission of the Party.

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Directors, Supervisors and senior management members who receive remuneration from the Company are paid in forms of salaries, allowances, contribution to pension schemes, discretionary bonuses and other benefits in kind. The remuneration of the Directors, Supervisors and senior management members is determined with reference to the remuneration paid by relevant companies in the PRC telecommunications industry and the achievement of major operating indicators of the Company.

The table below sets out the total remuneration paid to the Directors, Supervisors, senior management members and the five highest paid individuals (including Directors) for each of the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018.

	For the year ended December 31, 2015	For the year ended December 31, 2016	For the year ended December 31, 2017	For the three months ended March 31, 2018
	(RMB in millions)			
Directors	0.96	0.98	0.95[1]	0.22
Supervisors	0	0	0	0
Senior management members	4.57	4.77	5.30[2]	1.04
Five highest paid individuals	4.57	5.81	5.85	1.73

Notes:

(1) In addition to the director's remuneration in the table, as approved by the Board, a special bonus amounted to RMB 90 thousand was paid to Mr. Tong Jilu for his past performance in 2017.

(2) In addition to the remuneration of senior management members in the table above, as approved by the Board, a special bonus amounted to RMB 294 thousand was paid to members of senior management for their past performance in 2017.

Under the arrangement currently in force, we estimate the total fixed remuneration (before tax) payable to the Directors and Supervisors for the year ending December 31, 2018 is approximately RMB3.24 million.

During the Track Record Period, no fees were paid by the Company to any of the Directors or the five highest paid individuals as an inducement to join us or as compensation for loss of office. None of the Directors or Supervisors waived their remuneration during the Track Record Period.

EMPLOYEES

As of March 31, 2018, we had 14,984 employees. The remuneration packages of our employees primarily consist of salaries, discretionary bonuses and contributions to mandatory social security funds. As required by the relevant PRC regulations, we participate in pension schemes managed by local government and supplemental pension schemes managed by Independent Third Parties for our employees. Bonuses are generally discretionary and based on the overall performance of our business. For the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018, we incurred employee benefits and expenses (including those in relation to temporary employees) of RMB2,840 million, RMB3,743 million, RMB4,229 million and RMB1,240 million, respectively.

We have not experienced any significant problems with our employees or disruption to our operations due to labor disputes, nor have we experienced any difficulties in the recruitment and retention of experienced staff.

COMPLIANCE ADVISER

We have appointed China International Capital Corporation Hong Kong Securities Limited as our compliance adviser in compliance with Rules 3A.19 and 19A.05 of the Hong Kong Listing Rules. The material terms of the compliance adviser's agreement are as follows:

(i) China International Capital Corporation Hong Kong Securities Limited shall act as our compliance adviser for the purpose of Rules 3A.19 and 19A.05 of the Hong Kong Listing Rules for a period commencing on the Listing Date and ending on the date on which we comply with Rule 13.46 of the Hong Kong Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date, or until the agreement is terminated, whichever is earlier;

(ii) the compliance adviser will provide us with certain services, including proper guidance and advice as to compliance with the requirements under the Hong Kong Listing Rules and applicable laws, regulations and rules;

(iii) the compliance adviser will, as soon as reasonably practicable, inform us of any amendment or supplement to the Hong Kong Listing Rules announced by the Hong Kong Stock Exchange from time to time, and of any amendment or supplement to the applicable laws, regulations and rules; and

(iv) the compliance adviser will act as one of the key channels of communication of the Company with the Hong Kong Stock Exchange.

SHARE CAPITAL

Immediately before the Global Offering

As of the Latest Practicable Date, the registered share capital of the Company was RMB129,344,615,024, comprising 129,344,615,024 Shares with a nominal value of RMB1.00 each.

Upon the completion of the Global Offering

Immediately after the Global Offering and assuming that the Over-allotment Option is not exercised, the share capital of the Company will be as follows:

Description of Shares	Number of Shares	Approximate % of the enlarged issued share capital after the Global Offering
Domestic Shares	129,344,615,024	75.0%
H Shares to be issued pursuant to the Global Offering	43,114,800,000	25.0%
Total	**172,459,415,024**	**100%**

Immediately after the Global Offering and assuming that the Over-allotment Option is fully exercised, the share capital of the Company will be as follows:

Description of Shares	Number of Shares	Approximate % of the enlarged issued share capital after the Global Offering
Domestic Shares	129,344,615,024	72.3%
H Shares to be issued pursuant to the Global Offering	49,582,020,000	27.7%
Total	**178,926,635,024**	**100%**

CLASS OF SHARES

Upon the completion of the Global Offering, the Shares will consist of Domestic and H Shares Shares. Domestic Shares and H Shares are all ordinary Shares in the share capital of the Company. Apart from certain qualified domestic institutional investors in the PRC, the qualified PRC investors under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect and other persons who are entitled to hold our H Shares pursuant to relevant PRC laws and regulations or upon approvals of any competent authorities, H Shares generally cannot be subscribed for by or traded between legal or natural PRC persons. Domestic Shares can only be subscribed for by and traded between legal or natural PRC persons, qualified foreign institutional investors and foreign strategic investors.

Domestic Shares and H Shares are regarded as different classes of Shares. The differences between the two classes of Shares, provisions on class rights, dispatch of notices and financial reports to Shareholders, dispute resolution, registration of Shares on different registers of Shareholders, the procedure of transfer of Shares and appointment of dividend receiving agents as contained in the Articles of Association are summarized in "*Appendix VI — Summary of Articles of Association*."

Furthermore, any change or abrogation of the rights of class Shareholders shall be approved by way of a special resolution of the general meeting of Shareholders and by a separate class shareholders meeting of class Shareholders convened by the affected class of Shareholders. The circumstances under which a general meeting and/or a class meeting is required are summarized in "*Appendix VI — Summary of Articles of Association*." However, the approval of separate classes of Shareholders is not required under the following circumstances:

(i) issue of Domestic Shares or H Shares of not more than 20% of existing Domestic Shares or H Shares, respectively, either separately or concurrently in a period of 12 months, pursuant to an approval by a special resolution of the general meeting;

(ii) proposal to issue of Domestic Shares and H Shares of the Company upon its establishment pursuant to approval of the securities regulatory authority under the State Council, provided that such proposal is carried out within 15 months after such approval; or

(iii) conversion of Domestic Shares by Shareholders to shares listed on overseas stock exchange pursuant to and approved by the securities regulatory authority under the State Council.

Save as described in this prospectus, Domestic Shares and H Shares shall rank *pari passu* with each other in all other respects and, in particular, will rank equally for dividends or distributions declared, paid or made. All dividends for H Shares will be paid in Hong Kong dollars or in the form of additional H Shares whereas all dividends for Domestic Shares will be paid in Renminbi.

CONVERSION OF DOMESTIC SHARES INTO H SHARES

If any of the Domestic Shares are to be converted, listed and traded as H Shares on the Hong Kong Stock Exchange, such conversion, listing and trading will need the approval of the relevant PRC regulatory authorities, including the CSRC, and the approval of the Hong Kong Stock Exchange.

Following the grant of relevant approvals, the holder of Domestic Shares shall submit an application to us to deregister the Domestic Shares to be converted from the Domestic Share register, together with the relevant document(s) of title. Upon all the requisite approvals being obtained, we will instruct the H Share Registrar to issue certificate(s) of such number of H Shares to the relevant holders of H Shares. Registration on our H Share register will be on the condition that (i) our H Share Registrar lodging with the Hong Kong Stock Exchange a letter confirming the proper entry of the relevant H Shares on the H Share register and the due dispatch of H Share certificates, and (ii) the admission of the H Shares to trade on the Hong Kong Stock Exchange will comply with the Hong Kong Listing Rules and the General Rules of CCASS and the CCASS Operational Procedures in force from time to time. The converted Shares will not be listed as H Shares until they are registered on our H Share register.

As a result of the conversion, the shareholding of the relevant holder of Domestic Shares in our Domestic Share capital registered shall be reduced by the number of Domestic Shares converted and the number of H Shares shall be increased by the number of converted H Shares. As of the Latest Practicable Date, the Directors were not aware of any intention of any holder of Domestic Shares to convert all or part of their Domestic Shares into H Shares.

TRANSFER OF SHARES ISSUED PRIOR TO THE GLOBAL OFFERING

According to the Company Law, the Shares issued by the Company prior to the Global Offering shall not be transferred within one year from the Listing Date.

REGISTRATION OF SHARES NOT LISTED ON AN OVERSEAS STOCK EXCHANGE

According to the Notice of Centralized Registration and Deposit of Non-overseas Listed Shares of Companies Listed on an Overseas Stock Exchange (《關於境外上市公司非境外上市股份集中登記存管有關事宜的通知》) issued by the CSRC, the Company is required to register the Domestic Shares with the China Securities Depository and Clearing Corporation Limited within 15 business days upon the Listing and provide a written report to the CSRC regarding the centralized registration and deposit of the Domestic Shares as well as the offering and listing of the H Shares.

SHAREHOLDERS' APPROVAL FOR THE GLOBAL OFFERING

Approval from holders of the Shares is required for the Company to issue H Shares and seek the listing of H Shares on the Hong Kong Stock Exchange. The Company has obtained such approval at the Shareholders' general meeting held on May 3, 2018.

As of the Latest Practicable Date, the following persons directly or indirectly held, or are entitled to exercise the control of, 5% or more of our share capital:

Shareholder	Nature of Interest	Class	Number of Shares Directly or Indirectly Held	Approximate Percentage of Shareholding
CMCC [1]	Interest held by controlled corporations	Domestic Shares	49,150,953,709	38.0%
China Mobile (Hong Kong) Group Limited 中國移動(香港)集團有限公司[1]	Interest held by controlled corporations	Domestic Shares	49,150,953,709	38.0%
China Mobile Hong Kong (BVI) Limited 中國移動香港(BVI)有限公司[1]	Interest held by controlled corporations	Domestic Shares	49,150,953,709	38.0%
China Mobile[1]	Interest held by controlled corporations	Domestic Shares	49,150,953,709	38.0%
China Mobile Company[1]	Legal and beneficial owner	Domestic Shares	49,150,953,709	38.0%
CUC[2]	Interest held by controlled corporations	Domestic Shares	36,345,836,822	28.1%
China Unicom A Share Company[2]	Interest held by controlled corporations	Domestic Shares	36,345,836,822	28.1%
China Unicom Group Corporation (BVI) Limited 中國聯通集團(BVI)有限公司[2]	Interest held by controlled corporations	Domestic Shares	36,345,836,822	28.1%
China Unicom (BVI) Limited 中國聯通(BVI)有限公司[2]	Interest held by controlled corporations	Domestic Shares	36,345,836,822	28.1%
China Unicom[2]	Interest held by controlled corporations	Domestic Shares	36,345,836,822	28.1%

Shareholder	Nature of Interest	Class	Number of Shares Directly or Indirectly Held	Approximate Percentage of Shareholding
China Unicom Corporation(2)	Legal and beneficial owner	Domestic Shares	36,345,836,822	28.1%
CTC(3)	Interest held by controlled corporations	Domestic Shares	36,087,147,592	27.9%
China Telecom(3)	Legal and beneficial owner	Domestic Shares	36,087,147,592	27.9%
China Reform	Legal and beneficial owner	Domestic Shares	7,760,676,901	6.0%

Notes:

(1) Please see the shareholding structure of the Company in "*History and Development — Our Shareholding Structure — Shareholding structure immediately prior to the Global Offering.*" By virtue of the SFO, each of CMCC, China Mobile (Hong Kong) Group Limited, China Mobile Hong Kong (BVI) Limited and China Mobile is deemed to have an interest in the Shares held by China Mobile Company.

(2) Please see the shareholding structure of the Company in "*History and Development — Our Shareholding Structure — Shareholding structure immediately prior to the Global Offering*." By virtue of the SFO, each of CUC, China Unicom A Share Company, China Unicom Group Corporation (BVI) Limited, China Unicom (BVI) Limited and China Unicom is deemed to have an interest in the Shares held by China Unicom Corporation.

(3) Please see the shareholding structure of the Company in "*History and Development — Our Shareholding Structure — Shareholding structure immediately prior to the Global Offering*." By virtue of the SFO, CTC is deemed to have an interest in the Shares held by China Telecom.

To the best of the Directors' knowledge and information, the following persons will, immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), have interests or short positions in the Shares or underlying Shares which would be required to be disclosed to us and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO:

Shareholder	Nature of Interest	Class	Number of Shares Directly or Indirectly Held	Approximate Percentage of Shareholding in the Relevant Class of Shares	Approximate Percentage of Shareholding in the Total Issued Share Capital
CMCC (1)	Interest held by controlled corporations	Domestic Shares	49,150,953,709	38.0%	28.5%
China Mobile (Hong Kong) Group Limited 中國移動(香港)集團有限公司(1)	Interest held by controlled corporations	Domestic Shares	49,150,953,709	38.0%	28.5%

Shareholder	Nature of Interest	Class	Number of Shares Directly or Indirectly Held	Approximate Percentage of Shareholding in the Relevant Class of Shares	Approximate Percentage of Shareholding in the Total Issued Share Capital
China Mobile Hong Kong (BVI) Limited 中國移動香港(BVI)有限公司[(1)]	Interest held by controlled corporations	Domestic Shares	49,150,953,709	38.0%	28.5%
China Mobile[(1)]	Interest held by controlled corporations	Domestic Shares	49,150,953,709	38.0%	28.5%
China Mobile Company[(1)]	Legal and beneficial owner	Domestic Shares	49,150,953,709	38.0%	28.5%
CUC[(2)]	Interest held by controlled corporations	Domestic Shares	36,345,836,822	28.1%	21.1%
China Unicom A Share Company[(2)]	Interest held by controlled corporations	Domestic Shares	36,345,836,822	28.1%	21.1%
China Unicom Group Corporation (BVI) Limited 中國聯通集團(BVI) 有限公司[(2)]	Interest held by controlled corporations	Domestic Shares	36,345,836,822	28.1%	21.1%
China Unicom (BVI) Limited 中國聯通(BVI)有限公司[(2)]	Interest held by controlled corporations	Domestic Shares	36,345,836,822	28.1%	21.1%
China Unicom[(2)]	Interest held by controlled corporations	Domestic Shares	36,345,836,822	28.1%	21.1%
China Unicom Corporation [(2)]	Legal and beneficial owner	Domestic Shares	36,345,836,822	28.1%	21.1%
CTC[(3)]	Interest held by controlled corporations	Domestic Shares	36,087,147,592	27.9%	20.9%

Shareholder	Nature of Interest	Class	Number of Shares Directly or Indirectly Held	Approximate Percentage of Shareholding in the Relevant Class of Shares	Approximate Percentage of Shareholding in the Total Issued Share Capital
China Telecom[3]	Legal and beneficial owner	Domestic Shares	36,087,147,592	27.9%	20.9%
China Reform	Legal and beneficial owner	Domestic Shares	7,760,676,901	6.0%	4.5%
Hillhouse Capital Management, Ltd.[4] ("**Hillhouse Capital**")	Interest held by controlled corporations	H Shares	2,491,618,000	5.8%	1.4%
Gaoling Fund, L.P.[4] ("**Gaoling**")	Legal and beneficial owner	H Shares	2,328,418,000	5.4%	1.4%

Notes:

(1) Please see the shareholding structure of the Company in "*History and Development — Our Shareholding Structure — Shareholding structure immediately following the completion of the Global Offering*." By virtue of the SFO, each of CMCC, China Mobile (Hong Kong) Group Limited, China Mobile Hong Kong (BVI) Limited and China Mobile is deemed to have an interest in the Shares held by China Mobile Company.

(2) Please see the shareholding structure of the Company in "*History and Development — Our Shareholding Structure — Shareholding structure immediately following the completion of the Global Offering*." By virtue of the SFO, each of CUC, China Unicom A Share Company, China Unicom Group Corporation (BVI) Limited, China Unicom (BVI) Limited and China Unicom is deemed to have an interest in the Shares held by China Unicom Corporation.

(3) Please see the shareholding structure of the Company in "*History and Development — Our Shareholding Structure — Shareholding structure immediately following the completion of the Global Offering*." By virtue of the SFO, CTC is deemed to have an interest in the Shares held by China Telecom.

(4) Hillhouse Capital Management, Ltd. is the sole investment manager and the sole general partner of Gaoling and YHG Investment, L.P. ("**YHG**") respectively. Hillhouse Capital is deemed to be interested in the H Shares to be held by Gaoling and YHG, each of which has agreed to subscribe for such number of the Offer Shares (rounded down to the nearest whole board lot of 2000 H Shares) which may be purchased with an aggregate amount of US$400 million at the Offer Price. The number of H Shares deemed to be interested in by Hillhouse Capital and Gaoling shown in the table above are calculated based on the Offer Price of HK$1.26, being the low-end of the range of Offer Price. See "*Cornerstone Investors*" for details.

Save as disclosed in this prospectus, the Directors are not aware of any person who will, immediately following the completion of the Global Offering (and the offering of any additional H Shares pursuant to the Over-allotment Option), have an interest or short position in the Shares or underlying shares of the Company which would be required to be disclosed to the Company and the Hong Kong Stock Exchange under Divisions 2 and 3 of Part XV of the SFO or will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at any general meeting of the Company.

OVERVIEW

As of the Latest Practicable Date, China Mobile Company, directly held 38.0% of our share capital. Immediately following the completion of the Global Offering, China Mobile Company will directly hold approximately 28.5% of our share capital (assuming the Over-allotment Option is not exercised), or approximately 27.5% of the share capital of the Company (assuming the Over-allotment Option is fully exercised). China Mobile Company will remain as our single largest Shareholder after the Listing.

As of the Latest Practicable Date, as China Mobile held 100% of the issued share capital of China Mobile Company, China Mobile Hong Kong (BVI) Limited held 72.7% of China Mobile's issued share capital, China Mobile (Hong Kong) Group Limited held 100% of the issued share capital of China Mobile Hong Kong (BVI) Limited, and CMCC held 100% of the issued share capital of China Mobile (Hong Kong) Group Limited, each of them was deemed to be interested in the Shares held by China Mobile Company and therefore, together with China Mobile Company, constitute our single largest group of Shareholders upon Listing, among which, CMCC is and will be our ultimate single largest Shareholder.

OUR RELATIONSHIP WITH CMCC

See "*Business*" for the information of our principal business.

Through China Mobile and its subsidiaries, CMCC is the leading provider of telecommunication services in the PRC.

China Mobile, in which CMCC indirectly held approximately 72.7% equity interest as of the Latest Practicable Date, is listed on the Hong Kong Stock Exchange (stock code: 941) and New York Stock Exchange (stock code: CHL). Its business primarily consists of mobile voice and data business, fixed broadband and other information and communications services.

To our best knowledge, CMCC does not directly or indirectly hold 10% or more equity interest in any other company which is principally engaged in a business similar to the principal business of the Company.

UNDERTAKING BY CMCC AND CHINA MOBILE COMPANY

On October 14, 2015, the Company entered into certain agreements for the Tower Asset Acquisitions. See "*History and Development — Major Acquisitions*." Pursuant to the those agreements mentioned above, CMCC and its certain subsidiaries, CUC and its certain subsidiaries, CTC and its certain subsidiaries, China Mobile Company and its certain subsidiaries, China Unicom Corporation and its subsidiary and China Telecom (the "**Sellers**") agreed that, in principle, since January 1, 2015, the Sellers and its subsidiaries shall not construct any new towers or other ancillary infrastructure facilities, or indoor distribution systems in key public transportation places including subways, railways, highways, airports and stations, or in important buildings including large venues, commercial and residential buildings occupied by multiple users and offices of party or government organizations (the "**Undertakings**").

On April 28, 2017, the MIIT and the SASAC issued the Implementation Opinions on the Promotion of the Joint Construction and Sharing of Telecommunications Infrastructures, which confirmed the principal content in the Undertakings that in principle, CMCC Group, CUC Group and CTC Group shall not construct any towers or ancillary facilities for base stations such as shelters, and indoor distribution antenna systems at key venues including public transportation hubs including subways, high-speed railways, expressways, airports and stations, and buildings including large venues, commercial and residential buildings occupied by multiple occupants and office buildings of party or government organizations. However, according to such implementation opinions, each of CMCC Group, CUC Group and CTC Group is allowed to construct indoor distribution systems which will only be used by itself and not be needed by any additional users.

As of the Latest Practicable Date, to the best knowledge of the Company, CMCC Group has not violated the above undertakings.

INDEPENDENCE FROM CMCC

Taking into consideration the following factors, the Directors believe that we can conduct our business independently from CMCC after the completion of the Global Offering.

Operational Independence

We operate our business independently from CMCC. We have obtained relevant qualifications and licenses, independent operating premises, domain name and electronic information systems necessary for our businesses.

We have our own organizational structure with different departments, each with specific functions. We also maintain a set of comprehensive internal control procedures to facilitate the effective operation of our business. We have adopted a set of corporate governance manuals, including the terms of reference for shareholders' general meetings and terms of reference for Board meetings, both of which are based on relevant laws, rules and regulations in the PRC.

The Company provides services in relation to the tower products, DAS products, transmission products and service products to China Mobile Company and its subsidiaries and site resource service to CMCC Group during its ordinary and usual course of business. See "*Connected Transactions*" for details of these transactions. During the three years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018, the revenue of the Company generated from the transactions with CMCC Group represents 51.8%, 51.2%, 53.6% and 54.9% of the revenue of the Company during the same period, respectively.

In spite of our transactions with the CMCC Group mentioned above, the Directors are of the view that the Company is capable of carrying out its business independently of CMCC and there is no undue reliance by the Company on CMCC on the following ground:

(a) while the revenue from the transactions with CMCC Group accounted for 51.8%, 51.2%, 53.6% and 54.9% of our total revenue for the three years ended 31 December 2015, 2016 and 2017 and the three months ended March 31, 2018, respectively, such transactions were conducted in the ordinary and usual course of business of the Company and on an arm's length basis, and will be governed by written agreements after the Listing;

(b) due to the nature of the Company's business, as well as the fact that the Big Three TSPs denominate the wireless communications market in China and need the services in relation to the Relevant Products from the Company, the transactions with them present a high proportion of the Company's business. In particular, China Mobile Company, as the largest company in the PRC providing mobile telecommunications services, has the largest demand for our services. It is commercially reasonable for CMCC Group to have transactions with a considerable amount with us; and

(c) The Telecom Group Companies all have listed subsidiaries which are independent of each other. Our revenue from the transactions with CUC Group and CTC Group also accounted for approximately 48.2%, 48.8%, 46.2% and 44.5% of our total revenue for the three years ended 31 December 2015, 2016 and 2017 and the three months ended March 31, 2018, respectively, which provide a necessary balance to the sources of our revenue.

For details in relation to the services provided by the Company to CMCC Group, see "*Connected Transaction*."

Based on the above, the Directors are of the view that the Company is able to operate independently from CMCC.

Financial Independence

We have our own independent finance department with a team of independent financial staff who are responsible for our financial management, accounting, reporting, funding and internal control functions independently from CMCC.

We can make financial decisions independently, and CMCC does not interfere with our use of funds. We have also established an independent audit system, a standardized accounting system and a comprehensive financial management system. In addition, we maintain and manage bank accounts independently and CMCC does not share any bank account with us. We have made independent tax registrations in accordance with applicable laws and paid taxes independently pursuant to applicable PRC tax laws and regulations, rather than on a combined basis with CMCC or any other enterprise under its control.

As of March 31, 2018, we had non-interest bearing liabilities of approximately RMB4,573 million payable to CMCC Group. Besides, we still had unpaid loans from CMCC Group amounted to RMB15,209 million and the deferred consideration of Tower Asset Acquisitions amounted to RMB12,961 million (exclusive of tax). None of the above would affect the financial independence of us given our robust financial position as described below.

We had been able to raise funds from various sources on a stand-alone basis by virtue of our good credit rating, strong financial position and credit profile. As of March 31, 2018, we had approximately RMB159,470 million of unutilized unconditional credit facilities, all of which were granted by Independent Third Parties (without any guarantee by CMCC Group). As such, we are capable of securing the financial assistance from Independent Third Parties, and have adequate capital and facilities to operate our business independently. For details, see "*Financial Information — Liquidity and Capital Resources*."

Based on the above, the Directors are of the view that the Company is financially independent from CMCC.

Management Independence

Currently, only one Director, namely Mr. Dong Xin, also holds positions in CMCC Group. The following table sets forth the positions held by Mr. Dong Xin in CMCC Group:

Name	Major position held in the Company	Major positions held in CMCC Group
Dong Xin	Non-executive Director	a deputy general manager and general legal counsel of CMCC; an executive director, vice president and chief financial officer of China Mobile

Save as disclosed above, as of the Latest Practicable Date, none of the Directors or senior management held any position in CMCC Group.

We believe the Directors and senior management can independently perform their duties in the Company and we can operate independently from CMCC due to the following reasons:

(a) Mr. Dong Xin, a non-executive Director, is not involved in our daily operations. As a member of the Board, he mainly participates in formulating the Company's corporate governance and business strategies and the decision-making process of significant events;

(b) the decision-making mechanism of the Board as specified in the Articles of Association has set out relevant provisions to avoid conflicts of interest according to which: (i) if the relevant proposal causes a conflict of interest between us and CMCC, the Director(s) associated with CMCC should abstain from voting, and the remaining Directors have sufficient relevant knowledge and experience to make decisions for us; and (ii) when connected transaction(s) are reviewed and considered by the Board and/or Shareholders, independent non-executive Directors shall give their independent opinions to the Board and/or the Shareholders (if applicable) on such connected transaction(s) pursuant to the Listing Rules;

(c) we have three independent non-executive Directors (representing more than one-third of the Board members) to balance the numbers of interested Director(s) and independent non-executive Directors for the protection of the interests of the Company and the Shareholders as a whole; and

(d) there is no overlapping senior management personnel who work with both CMCC Group and us.

On the basis of the above, the Directors are of the view that our management is independent from CMCC.

CORPORATE GOVERNANCE MEASURES

In order to further safeguard the interests of the Shareholders, we will adopt the following corporate governance measures to manage any potential conflict of interest arising from any future potential competing business of our single largest Shareholders:

(a) we will make our best endeavours to ensure that the Board includes a balanced composition of executive, non-executive and independent non-executive Directors. We have appointed three independent non-executive Directors, accounting for more than one-third of the Board. We believe the independent non-executive Directors possess sufficient experience, and that they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment to be able to provide an impartial and external opinion to protect the interests of the public Shareholders. For details of the independent non-executive Directors, see "*Directors, Supervisors and Senior Management*";

(b) the Directors will comply with the Articles of Association which provide that Directors who have a material interest in the matters to be considered at the relevant Board meeting shall abstain from voting;

(c) where the Directors reasonably request the advice of independent professionals, the engagement of such independent professionals will be made at the Company's expenses;

(d) we will comply with the relevant applicable rules under Chapter 14A of the Listing Rules in respect of our connected transactions. For further details of the corporate governance measures adopted for our continuing connected transactions, see "*Connected Transactions*"; and

(e) China International Capital Corporation Hong Kong Securities Limited has been appointed as our compliance adviser to provide advice and guidance to us in respect of compliance with the Listing Rules, applicable laws, and other aspects of corporate governance.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our financial statements and notes included in "Appendix I — Accountant's Report." The financial information as set out in the Accountant's Report incorporates the financial statements of the Company during the Track Record Period. You should read the whole Accountant's Report as set out in Appendix I to this prospectus and not rely merely on the information in this section. For the purpose of this section, unless the context otherwise requires, references to 2015, 2016 and 2017 refer to our financial years ended December 31 of such years.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. You should not place undue reliance on any such statements. Our actual future results and timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors," "Forward-Looking Statements" and elsewhere in this prospectus.

OVERVIEW

We are the world's largest telecommunications tower infrastructure service provider. Leveraging our advantages in site resources, industry and policy environment, customer relationship, service offerings and management model, we endeavor to be a world-class information communications infrastructure service provider.

We primarily conduct tower business, including macro cell and small cell, DAS business and TSSAI business with TSPs and customers from different industries. We were incorporated on July 15, 2014, and only substantively commenced operations after the Tower Asset Acquisitions that was completed on October 31, 2015 (the "**Acquisition Date**"). See "*History and Development*" and Note 1 of "*Appendix I — Accountant's Report.*" The tower and related assets ("**Tower Assets**") acquired were recorded on our balance sheet on the Acquisition Date and the operating revenue and expenses associated therewith had also been stated in our financial statements ever since. In 2015, 2016 and 2017 and the three months ended March 31, 2018, our operating revenue was RMB8,802 million, RMB55,997 million, RMB68,665 million and RMB17,244 million, respectively.

OUR FINANCIAL INFORMATION FOR 2015

The Tower Assets acquired in the Tower Asset Acquisitions have been our principal operating assets. The Tower Assets acquired were recorded in our accounts at the consideration on the Acquisition Date, and the results of operations derived therefrom after the Acquisition Date have been stated in our financial statements. Pursuant to the arrangements between us and the Telecom Group Companies and their respective subsidiaries, after the acquisition and from November 1, 2015, the Telecom Group Companies and their respective subsidiaries would continue to use the towers transferred to us with charges. Therefore, our revenue for the year ended December 31, 2015 was primarily generated from the operations carried out in November and December, and the costs and expenses associated therewith, such as depreciation and amortization, site operating lease charges, repairs and maintenance and finance costs, were also primarily incurred in such two-month period. As such, the results of operations in 2015 are not directly comparable to those of 2016 or 2017.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Demand and Market Condition for Telecommunications Tower Infrastructure Industry

As substantially all of our operating revenue was derived from the PRC telecommunications tower infrastructure industry, our results of operations significantly depend on market conditions of the industry and the TSPs' demand for telecommunications tower infrastructure services. Such demand is influenced by various factors such as China's economic growth, urbanization progress, telecommunications network condition, changes and development in technologies and their application and government policies. According to the F&S Report, China has become the largest telecommunications tower infrastructure market globally, of which the size totalled RMB70.6 billion in 2017 in terms of revenue and is expected to grow at a CAGR of 9.1% to RMB109.1 billion in 2022. The number of tenants for the sites operated by telecommunications tower infrastructure service providers in China is expected to grow at a CAGR of 11.9% from 2.8 million in 2017 to 4.9 million in 2022, among which the number of TSP tenants is expected to grow at a CAGR of 10.2% from 2.8 million to 4.5 million. The TSPs' demand and planning for their network coverages will continuously affect our results of operations. See "*Risk Factors — Risks Relating to Our Business and Industry — If demand for telecommunications tower infrastructure services does not achieve anticipated growth or even decrease, our business and results of operations would be materially and adversely affected.*" Against the backdrop of the fast development of information technology and its applications across various industries in China, our revenue and profitability are also affected by the demand of customers outside the telecommunications industry.

Our Pricing

Our pricing mechanism directly affects our operating revenue, operating profit margin and other results of operations. We consider various factors such as costs and market conditions when pricing our services. Generally, pursuant to the agreements we entered into with our customers, our pricing mechanism was set with reference to various cost considerations. Such cost considerations are reflected in the financial statements as depreciation and amortization, site operating lease charges, repairs and maintenance, employee benefits and expenses, and other operating expenses. Due to the long-term nature of our services, our pricing and settlement arrangements facilitate steady streams of revenue and cash flows, as well as the establishment of long-term cooperative relationships with our customers. However, if the estimated costs on which our pricing is based vary from the actual costs, our operating profit margin and results of operations may differ from our expectations. In addition, any increase in costs that we cannot completely pass on to our customers, such as labor costs and some administrative expenses, would negatively impact our operating profit. Our operating revenue has been recognized by applying the adjusted pricing mechanism effective since January 1, 2018. See "*Business—Pricing.*" During the Track Record Period, our operating expenses primarily include depreciation and amortization, site operating lease charges, repairs and maintenance, employee benefits and expenses and other operating expenses, which in 2017 respectively accounted for 47.5%, 16.5%, 9.0%, 6.2% and 9.6% and in the three months ended March 31, 2018 respectively accounted for 46.6%, 17.5%, 8.8%, 7.2% and 7.8% of our operating revenue. Any fluctuation in the above expenses could affect our results of operations.

Our Relationship with the Big Three TSPs

We have established long-term cooperative relationships with the Big Three TSPs, which are also our Shareholders. See "*Substantial Shareholders*" and "*Relationship with CMCC.*" During the Track Record Period, we generated substantially all of our operating revenue from the Big Three TSPs. In 2017 and the three months ended March 31, 2018, revenue from the Big Three TSPs collectively accounted for 99.8% and 99.4% of our operating revenue, respectively. As of December 31, 2017 and March 31, 2018, trade receivables from the Big Three TSPs respectively accounted for 99.4% and 99.2% of our total trade receivables. We entered into long-term agreements with our customers, which specified the overall arrangements therewith, such as the scope and standard of our services, as well as pricing mechanism and settlement methods. We provide services to our customers in accordance with such agreements. The long-term nature of our services help generate steady streams of revenue and cash flows. See "*Business — Our Customers*" and "*Connected Transactions.*" Our principal customers have relatively high credit ratings and sound credit profiles. However, since our trade receivables are relatively concentrated, the financial condition of our principal customers will also affect our financial condition. See "*Risk Factors — Risks Relating to our Business and Industry — Our business relies on the Big Three TSPs as customers.*"

Co-location of Our Sites

We normally provide our services in a manner that allows multiple tenants to share a single site. Site co-location facilitates optimized utilization of our existing resources. The augmentation required for our existing sites to accommodate additional tenants requires for lower capital expenditures as compared to constructing new sites. The resulting increase in our revenue is larger than the corresponding increase in costs despite the co-location discount, thereby improving marginal profit. As such, site co-location can effectively improve our profit generated per site and our overall profitability. Tenancy ratio is an important metric by which we measure the utilization and profitability of our sites. As of December 31, 2015, 2016 and 2017 and March 31, 2018, our tenancy ratios were 1.28, 1.40, 1.44 and 1.45, respectively. Although during the Track Record Period revenue from the TSSAI business was not substantial, we intend to further develop such business as an endeavor to further leverage our existing site resources, which may affect our revenue and profitability.

Capital Expenditures and Depreciation

Due to the nature of our industry and business, our capital expenditures are influenced by factors such as customers' demand, their network coverage planning, our service offerings expansion and service quality improvement requirements. During the Track Record Period, our capital expenditures primarily comprised expenditures on the Tower Asset Acquisitions, construction, augmentation, replacement and improvement of our sites and ancillary facilities. In 2015, 2016 and 2017 and the three months ended March 31, 2018, our capital expenditures were RMB229,070 million, RMB64,103 million, RMB43,836 million and RMB3,825 million, respectively. See " *— Capital Expenditures and Commitments.*" Due to the nature of telecommunications tower infrastructure services, our ability to achieve sustainable growth partially depends on whether we can construct, maintain, expand and optimize our sites, which may entail a relatively high level of capital expenditure. Therefore, our ability to effectively plan and develop suitable sites, improve the efficiency and quality of site construction and augmentation, and obtain adequate financing that is compatible with these objectives is critical to our business growth.

During the Track Record Period, depreciation and amortization of our telecommunications towers, equipment and other ancillary facilities as well as other assets constituted the largest portion of our operating expenses. The level of our capital expenditure will directly affect our results of operations and cash flows. In 2015, 2016 and 2017 and the three months ended March 31, 2018, our depreciation and amortization were RMB5,138 million, RMB27,585 million, RMB32,642 million and RMB8,041 million, respectively, accounting for 58.4%, 49.3%, 47.5% and 46.6% of our operating revenue for the respective periods. Starting from January 1, 2018, the estimated useful life of self-built ground towers was adjusted from ten years to 20 years. Our depreciation and amortization increased from RMB7,843 million in the three months ended March 31, 2017, to RMB8,041 million in the three months ended March 31, 2018, which was partially offset by a decrease in the depreciation of towers and ancillary facilities. Specifically, our depreciation expenses of self-built ground towers decreased by RMB594 million for the three months ended March 31, 2018 due to the change of the estimated useful life of self-built ground towers. See "*— Recent Developments and Changes in 2018 — Change of estimated useful life of self-built ground towers*." The change of estimated useful life of self-built ground towers is expected to affect our results of operations and financial position.

Access to and Cost of Financing

During the Track Record Period, our main capital resource were funds from our operating activities, borrowings from banks and other financial institutions and proceeds from notes issuance. As of December 31, 2015, 2016 and 2017 and March 31, 2018, our outstanding interest-bearing liabilities were RMB118,183 million, RMB140,032 million, RMB156,305 million and RMB160,361 million, respectively. In 2015, 2016 and 2017 and the three months ended March 31, 2018, our total finance costs were RMB747 million, RMB5,077 million, RMB5,283 million and RMB1,638 million, respectively. The interest rates of our borrowings are generally determined with reference to the benchmark interest rate announced by the PBOC. Market interest rate and financing channels directly influence our cost of financing, which would affect our business, results of operations and financial position. See "*Risk Factors — Risks Relating to Our Business and Industry — Our business development may require relatively high level of capital expenditure and we may not be able to obtain financing therefor* and *— Our leverage, debt obligations, interest rates and financing environment may have negative impacts on our ability to raise additional capital to fund our capital expenditures, future growth and expansion initiatives.*"

Since our establishment, we have been exploring various financing options that we believe are suitable for our business as an endeavor to expand our financing channels. For example, we issued short-term asset-backed notes in 2016 and we were granted concessional loans by policy and commercial banks. See "*— Indebtedness.*" We plan to further expand our financing channels as we believe maintaining, expanding and diversifying our financing resources is crucial to our success.

The Development of Telecommunications Technologies and Their Application

During the Track Record Period, substantially all of our operating revenue was derived from our telecommunications tower infrastructure services. The demand for such services is closely related to the development of telecommunications technologies. The wireless data usage by end users surges due to the development of wireless communications technologies and their applications. As such, TSPs may be compelled to further increase their network density and expand their network coverage in order to improve their bandwidths and speed as well as to reduce latency. Under such circumstances, our customers are likely to require us to construct new sites or augment our existing sites to accommodate their expanded network coverage, which in turn would have a positive impact on our operating revenue and profitability. On the other hand, if a new generation of telecommunications technology standard emerges, customer demand may change, and we may need to respond to customers' evolving demands accordingly by constructing and improving our sites and providing compatible services. This may affect the types of our sites and services, thereby affecting our results of operations and financial position.

Policy and Regulatory Environment

Our business is subject to PRC laws, regulations and government policies, especially those affecting the TSPs' network coverages, sites acquisition and maintenance, the types of telecommunications infrastructure permitted to be constructed and maintained, the sharing of sites and other infrastructure resources as well as taxation. Supported by favorable government policies, we currently play an important role in promoting the co-location of towers and DAS sites for the Big Three TSPs. In addition, in response to the government policies that promote the enhancement of 4G network coverage and the future deployment of 5G network, TSPs may need to continuously invest in their wireless communications coverage, which in turn may boost the demand for our services. However, China's urban-rural planning and telecommunications network planning, the landscape of the PRC telecommunications industry and telecommunications tower infrastructure industry, our service offerings and the scope of our services may be affected by the aforementioned laws, regulations and government policies and the changes thereof. See "*Risk Factors — Risks Relating to Legal, Compliance and Regulatory Matters — Changes in laws and regulations, and PRC national or local policies, especially those related to telecommunications industry, may adversely affect our business, financial position and results of operations.*"

BASIS OF PREPARATION

The financial statements of the Company have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**") issued by International Accounting Standards Board ("**IASB**"). The historical financial information has been prepared under the historical cost convention and we have adopted the IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers." In addition, for Tower Assets acquired in the Tower Asset Acquisitions in 2015, the Company uses their purchase considerations as historical costs. In addition, the historical financial information of the Company was prepared based on the underlying financial statements of the Company, in which IFRS 15 and IFRS 9 have been adopted and consistently applied upon the

Company's first time adoption of IFRSs in accordance with IFRS 1. Should IAS 18 "Revenue" and IAS 39 "Financial Instruments: Recognition and Measurement" were adopted instead of IFRS 15 and IFRS 9, the Company did not expect there would be any significant impact on the financial position and performance throughout the Track Record Period.

The historical financial information being in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the historical financial information are disclosed in Note 4 of "*Appendix I — Accountant's Report.*"

NON-IFRSs FINANCIAL MEASURES

To supplement our financial information, which is presented in accordance with IFRSs, we also use earnings before interest, tax, depreciation and amortization ("**EBITDA**") as an additional financial measure, which is not required by, or presented in accordance with IFRSs. EBITDA reflects our profit before finance costs, interest income, other gains, income tax and depreciation and amortization. As the industry in which we operate is capital intensive, capital expenditures and finance costs may heavily influence the profits of ours and other similarly situated companies. Therefore, we believe that EBITDA may help investors to evaluate our results of operations and those of our peers. However, the EBITDA we presented may not be directly comparable to similar measures presented by other companies. The use of this non-IFRSs measure has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRSs.

We calculate EBITDA by adding operating profit/(loss) with depreciation and amortization; we calculate EBITDA margin by dividing EBITDA by our operating revenue. The following table reconciles our EBITDA to the most directly comparable financial measure calculated and presented in accordance with IFRSs, which is operating profit/(loss) for the periods indicated:

	Year Ended December 31,			Three Months Ended March 31,	
	2015	2016	2017	2017	2018
	(RMB in millions, except percentages)				
				(Unaudited)	
Operating (loss)/profit	(4,161)	5,070	7,715	1,906	2,089
Add back:					
Depreciation and amortization	5,138	27,585	32,642	7,843	8,041
EBITDA	977	32,655	40,357	9,749	10,130
EBITDA margin	N/M	58.3%	58.8%	59.3%	58.7%

For discussions of EBITDA and EBITDA margin, see " *— Results of Operations — Operating profit/loss.*"

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Accountant's Report in Appendix I to this prospectus sets forth certain significant accounting policies in Note 2, which are important for understanding our financial condition and results of operations.

Some of our accounting policies involve subjective assumptions, estimates and judgments that are discussed in Note 4 of "*Appendix I — Accountant's Report.*" In the application of our accounting policies, our management is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Our estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. Our estimates and underlying assumptions are reviewed by our management on an ongoing basis. See Note 4 of "*Appendix I — Accountant's Report.*"

PRINCIPAL COMPONENTS OF STATEMENTS OF COMPREHENSIVE INCOME

Operating Revenue

Our operating revenue is primarily derived from our (i) tower business (including macro cell and small cell), (ii) DAS business, and (iii) TSSAI business. Revenue generated from these businesses is generally recognized monthly pursuant to the agreements between us and our customers. The settlement period is normally one to three months.

Operating Expenses

Our operating expenses consist of (i) depreciation and amortization, (ii) site operating lease charges, (iii) repairs and maintenance, (iv) employee benefits and expenses, and (v) other operating expenses. Historically, depreciation and amortization has been the largest component of our operating expenses.

Depreciation and amortization

Depreciation and amortization primarily comprise the depreciation of our (i) buildings, (ii) towers and ancillary facilities, (iii) machinery and electronic devices, and (iv) office facilities and others; and amortization of land use rights and software.

Site operating lease charges

Our site operating lease charges primarily comprise lease charges for our site properties during the respective periods.

Repairs and maintenance

Repairs and maintenance represent the expenses in connection with the repairs and maintenance of our sites and ancillary facilities incurred during our daily operations.

Employee benefits and expenses

Employee benefits and expenses (including those in relation to temporary employees) primarily comprise (i) salaries and welfare, (ii) retirement benefits (defined contribution), (iii) contributions to medical insurance, and (iv) contributions to housing fund.

Other operating expenses

Other operating expenses primarily comprise (i) power generation charges, (ii) site operation and support expenses, (iii) loss on disposal of property and equipment, (iv) office lease, property management expenses and utilities, (v) other taxes and surcharges, and (vi) others.

Site operation and support expenses primarily comprise site planning and monitoring expenses, and charges of vehicles and transportation incurred during our daily operations.

Loss on disposal of property and equipment is attributable to the disposal of assets related to telecommunications infrastructure that has been rendered obsolete or unusable due to site improvement requirements, natural disasters or eminent domain in our ordinary course of business.

Other Gains

Other gains primarily comprise (i) government grants, (ii) penalty payment from suppliers, and (iii) non-operating gains. Our government grants primarily comprise one-off compensations received for removing or relocating our sites due to eminent domain. We receive penalty payment from suppliers for delays in projects or quality issues.

Interest Income

Interest income represents the interest income from our bank deposits.

Finance Costs

Finance costs primarily comprise interest on bank loans, interest on deferred consideration payables (including related VAT) and interest on asset-backed notes.

Income Tax (Credits)/Expenses

Income tax (credits)/expenses primarily comprise current income tax and deferred income tax. The Company and its provincial branches file the PRC enterprise income tax on a consolidated basis. During the Track Record Period, except for certain branches located in some western provinces of China which were taxed at a preferential rate of 15% since 2017, the provision for PRC income tax was based on a statutory rate of 25% of the estimated taxable profits of the Company for the year in accordance with PRC EIT Law and relevant regulations.

RESULTS OF OPERATIONS

The following table summarizes our results of operations and as percentages of our operating revenue for the periods indicated:

	Year Ended December 31,						Three Months Ended March 31,			
	2015		2016		2017		2017		2018	
	(RMB million)	%	(RMB million)	%	(RMB million)	%	(RMB million)	%	(RMB million)	%
							(Unaudited)			
Operating revenue	**8,802**	**100**	**55,997**	**100**	**68,665**	**100**	**16,449**	**100**	**17,244**	**100**
Operating expenses										
Depreciation and amortization	(5,138)	58.4	(27,585)	49.3	(32,642)	47.5	(7,843)	47.7	(8,041)	46.6
Site operating lease charges	(1,856)	21.1	(9,121)	16.3	(11,336)	16.5	(2,880)	17.5	(3,020)	17.5
Repairs and maintenance	(1,387)	15.8	(5,750)	10.3	(6,156)	9.0	(1,446)	8.8	(1,514)	8.8
Employee benefits and expenses	(2,840)	32.3	(3,743)	6.7	(4,229)	6.2	(1,098)	6.7	(1,240)	7.2
Other operating expenses	(1,742)	19.7	(4,728)	8.3	(6,587)	9.6	(1,276)	7.7	(1,340)	7.8
	(12,963)	**147.3**	**(50,927)**	**90.9**	**(60,950)**	**88.8**	**(14,543)**	**88.4**	**(15,155)**	**87.9**
Operating (loss)/profit	**(4,161)**	**47.3**	**5,070**	**9.1**	**7,715**	**11.2**	**1,906**	**11.6**	**2,089**	**12.1**
Other gains	18	0.2	48	0.1	149	0.2	10	0.1	14	0.1
Interest income	144	1.6	65	0.1	104	0.2	18	0.1	33	0.2
Finance costs	(747)	8.4	(5,077)	9.1	(5,283)	7.7	(1,288)	7.9	(1,638)	9.5
(Loss)/ profit before taxation	**(4,746)**	**53.9**	**106**	**0.2**	**2,685**	**3.9**	**646**	**3.9**	**498**	**2.9**
Income tax credits/(expenses)	1,150	13.0	(30)	0.1	(742)	1.1	(162)	1.0	(118)	0.7
(Loss)/ profit for the year/period	**(3,596)**	**40.9**	**76**	**0.1**	**1,943**	**2.8**	**484**	**2.9**	**380**	**2.2**
Other comprehensive income, net of tax	—	—	—	—	—	—	—	—	—	—
Total comprehensive (loss)/income for the year/period	**(3,596)**	**40.9**	**76**	**0.1**	**1,943**	**2.8**	**484**	**2.9**	**380**	**2.2**

Operating Revenue

The following table sets out our operating revenue by business and customer and as percentages of our operating revenue for the periods indicated:

	Year Ended December 31,						Three Months Ended March 31,			
	2015		2016		2017		2017		2018	
	(RMB million)	%	(RMB million)	%	(RMB million)	%	(RMB million)	%	(RMB million)	%
							(Unaudited)			
By type:										
Tower business										
Macro cell business	8,756	99.5	55,552	99.2	66,828	97.3	16,208	98.6	16,639	96.4
Small cell business	—	—	—	—	257	0.4	46	0.3	84	0.5
DAS business	45	0.5	421	0.8	1,284	1.9	186	1.1	391	2.3
TSSAI business	—	—	19	0.0	169	0.2	6	0.0	113	0.7
Others[1]	1	0.0	5	0.0	127	0.2	3	0.0	17	0.1
Operating revenue	**8,802**	**100**	**55,997**	**100**	**68,665**	**100**	**16,449**	**100**	**17,244**	**100**
By customer:										
China Mobile[2]	4,560	51.8	28,646	51.2	36,804	53.6	8,654	52.6	9,465	54.9
China Unicom[3]	2,314	26.3	15,063	26.9	16,232	23.7	4,134	25.2	3,884	22.5
China Telecom	1,927	21.9	12,263	21.9	15,467	22.5	3,656	22.2	3,788	22.0
Subtotal	8,801	100.0	55,972	100.0	68,503	99.8	16,444	100.0	17,137	99.4
Other customers[4]	1	0.0	25	0.0	162	0.2	5	0.0	107	0.6
Operating revenue	**8,802**	**100**	**55,997**	**100**	**68,665**	**100**	**16,449**	**100**	**17,244**	**100**

Notes:

(1) Others include revenue generated from transmission services, commissions for paying electric power charges on behalf of customers, and income from leasing some of our properties.

(2) Refers to China Mobile Company and its subsidiaries.

(3) Refers to China Unicom Corporation.

(4) Other customers primarily include customers from various sectors other than the Big Three TSPs.

In 2015, 2016 and 2017 and the three months ended March 31, 2018, substantially all of our operating revenue was generated from the Big Three TSPs, which amounted to RMB8,801 million, RMB55,972 million, RMB68,503 million and RMB17,137 million, respectively. Among the Big Three TSPs, China Mobile was our largest customer in terms of revenue, and during the same periods, sales to China Mobile accounted for 51.8%, 51.2%, 53.6% and 54.9% of our operating revenue, respectively.

Comparisons between the three months ended March 31, 2018 and 2017

Our operating revenue increased by 4.8% from RMB16,449 million in the three months ended March 31, 2017 to RMB17,244 million in the three months ended March 31, 2018, primarily due to an increase in tenants reflecting our operation expansions. The number of our total tenants increased from 2,483,918 as of March 31, 2017, to 2,733,500 as of March 31, 2018. In addition, revenue from our TSSAI business increased significantly during the same period, primarily due to our enhanced effort in pursuing TSSAI business opportunities in early 2018. Our operating revenue since January 1, 2018 reflected the effects of the pricing adjustment. See "— *Recent Developments and Changes in 2018 — Pricing Adjustment*."

Comparisons between 2017 and 2016

Our operating revenue increased by 22.6% from RMB55,997 million in 2016 to RMB68,665 million in 2017, primarily due to an increase in tenants, reflecting our operation expansions. The number of our total tenants increased from 2,418,635 as of December 31, 2016, to 2,687,475 as of December 31, 2017. In addition, our DAS business, although contributed a small portion of our total revenue, grew rapidly from 2016 to 2017, primarily due to our enhanced effort in pursuing and operating more DAS projects in 2017.

Comparisons between 2016 and 2015

Our financials and operating results in 2015 are not directly comparable to those of 2016. See " — *Our Financial Information for 2015*."

Operating Expenses

The following table sets out a breakdown of our operating expenses and as percentages of our total operating expenses for the periods indicated:

	Year Ended December 31,						**Three Months Ended March 31,**			
	2015		**2016**		**2017**		**2017**		**2018**	
	(RMB million)	**%**	**(RMB million)**	**%**	**(RMB million)**	**%**	**(RMB million)**	**%**	**(RMB million)**	**%**
							(Unaudited)			
Depreciation and amortization	5,138	39.6	27,585	54.2	32,642	53.6	7,843	53.9	8,041	53.1
Site operating lease charges	1,856	14.4	9,121	17.9	11,336	18.6	2,880	19.8	3,020	19.9
Repairs and maintenance	1,387	10.7	5,750	11.3	6,156	10.1	1,446	9.9	1,514	10.0
Employee benefits and expenses	2,840	21.9	3,743	7.3	4,229	6.9	1,098	7.6	1,240	8.2
Other operating expenses	1,742	13.4	4,728	9.3	6,587	10.8	1,276	8.8	1,340	8.8
Operating expenses	**12,963**	**100**	**50,927**	**100**	**60,950**	**100**	**14,543**	**100**	**15,155**	**100**

Depreciation and amortization

Depreciation and amortization primarily comprise depreciation of our (i) buildings, (ii) towers and ancillary facilities, (iii) machinery and electronic devices, and (iv) office facilities and others; and amortization of land use rights and software. The following table sets out a breakdown of our depreciation and amortization and as percentages of our operating revenue for the periods indicated:

	Year Ended December 31,						Three Months Ended March 31,			
	2015		2016		2017		2017		2018	
	(RMB million)	%	(RMB million)	%	(RMB million)	%	(RMB million)	%	(RMB million)	%
							(Unaudited)			
Buildings	—	—	—	—	2	0.0	—	—	5	0.0
Towers and ancillary facilities	3,404	38.7	20,495	36.6	24,294	35.4	5,892	35.8	5,687	33.0
Machinery and electronic devices	1,710	19.4	7,010	12.5	8,220	12.0	1,930	11.7	2,314	13.4
Office facilities and others	21	0.2	54	0.1	82	0.1	13	0.1	25	0.1
Land use rights and software	3	0.1	26	0.1	44	0.0	8	0.1	10	0.1
Total	**5,138**	**58.4**	**27,585**	**49.3**	**32,642**	**47.5**	**7,843**	**47.7**	**8,041**	**46.6**

Comparisons between the three months ended March 31, 2018 and 2017

Our depreciation and amortization slightly increased by 2.5% from RMB7,843 million in the three months ended March 31, 2017, to RMB8,041 million in the three months ended March 31, 2018, primarily due to our site construction and improvement projects in 2017, of which the completed ones were transferred from construction in progress to property, plant and equipment and had been depreciated accordingly. Such increase was partially offset by a decrease in the depreciation of towers and ancillary facilities, which was primarily due to the change of the estimated useful life of self-built ground towers. The estimated useful life of self-built ground towers was adjusted from ten to 20 years, starting from January 1, 2018. See "— *Recent Developments and Changes in 2018 — Change of estimated useful life of self-built ground towers.*"

Comparisons between 2017 and 2016

Our depreciation and amortization increased by 18.3% from RMB27,585 million in 2016 to RMB32,642 million in 2017, primarily attributable to an increase in (i) the depreciation of towers and ancillary facilities, and (ii) the depreciation of machinery and electronic devices. Such increase was primarily attributable to our site construction and improvement projects in 2016 and 2017, of which the completed ones were transferred from construction in progress to property, plant and equipment and had been depreciated accordingly.

Comparisons between 2016 and 2015

Our financials and operating results in 2015 are not directly comparable to those of 2016. See " — *Our Financial Information for 2015.*"

Site operating lease charges

Our site operating lease charges primarily comprise lease charges for our sites during the respective periods. In 2015, 2016 and 2017 and the three months ended March 31, 2018, our site operating lease charges were RMB1,856 million, RMB9,121 million, RMB11,336 million and RMB3,020 million, accounting for 21.1%, 16.3%, 16.5% and 17.5% of our operating revenue, respectively.

Comparisons between the three months ended March 31, 2018 and 2017

Our site operating lease charges increased by 4.9% from RMB2,880 million in the three months ended March 31, 2017, to RMB3,020 million in the three months ended March 31, 2018, primarily attributable to an increase in the number of our sites.

Comparisons between 2017 and 2016

Our site operating lease charges increased by 24.3% from RMB9,121 million in 2016 to RMB11,336 million in 2017, primarily attributable to (i) an increase in the number of our sites due to the newly constructed sites, and (ii) the increase of rent in some areas of China.

Comparisons between 2016 and 2015

Our financials and operating results in 2015 are not directly comparable to those of 2016. See "*— Our Financial Information for 2015.*"

Repairs and maintenance

Repairs and maintenance represent the expenses in connection with the repairs and maintenance of our sites and ancillary facilities incurred in our ordinary course of business. In 2015, 2016 and 2017 and the three months ended March 31, 2018, our repairs and maintenance expenses were RMB1,387 million, RMB5,750 million, RMB6,156 million and RMB1,514 million, which accounted for 15.8%, 10.3%, 9.0% and 8.8% of our operating revenue, respectively.

Comparisons between the three months ended March 31, 2018 and 2017

Our repairs and maintenance expenses increased by 4.7% from RMB1,446 million in the three months ended March 31, 2017, to RMB1,514 million in the three months ended March 31, 2018, primarily due to an increase in the number of our sites in use.

Comparisons between 2017 and 2016

Our repairs and maintenance expenses increased by 7.1% from RMB5,750 million in 2016 to RMB6,156 million in 2017, primarily attributable to an increase in the number of our sites in use.

Comparisons between 2016 and 2015

Our financials and operating results in 2015 are not directly comparable to those of 2016. See "*— Our Financial Information for 2015*."

Employee benefits and expenses

Employee benefits and expenses (including those in relation to temporary employees) primarily comprise (i) salaries and welfare, (ii) retirement benefits (defined contribution), (iii) contributions to medical insurance, and (iv) contributions to housing fund. The following table sets out a breakdown of our employee benefits and expenses and as percentages of our operating revenue for the periods indicated:

	Year Ended December 31,						Three Months Ended March 31,			
	2015		2016		2017		2017		2018	
	(RMB million)	%	(RMB million)	%	(RMB million)	%	(RMB million)	%	(RMB million)	%
							(Unaudited)			
Salaries and welfare	2,245	25.5	2,921	5.3	3,233	4.8	854	5.2	967	5.7
Retirement benefits	299	3.4	414	0.7	504	0.7	125	0.8	140	0.8
Contributions to medical insurance	167	1.9	222	0.4	266	0.4	66	0.4	73	0.4
Contributions to housing fund	129	1.5	186	0.3	226	0.3	53	0.3	60	0.3
Total	**2,840**	**32.3**	**3,743**	**6.7**	**4,229**	**6.2**	**1,098**	**6.7**	**1,240**	**7.2**

Comparisons between the three months ended March 31, 2018 and 2017

Our employee benefits and expenses increased by 12.9% from RMB1,098 million in the three months ended March 31, 2017, to RMB1,240 million in the three months ended March 31, 2018, primarily due to increased staff costs due to workforce expansion to satisfy our business operations and management needs.

Comparisons between 2017 and 2016

Our employee benefits and expenses increased by 13.0% from RMB3,743 million in 2016 to RMB4,229 million in 2017, primarily attributable to increased staff costs due to workforce expansion to satisfy our business operations and management needs.

Comparisons between 2016 and 2015

Our financials and operating results in 2015 are not directly comparable to those of 2016. See "*— Our Financial Information for 2015*."

Other operating expenses

Other operating expenses primarily comprise (i) power generation charges, (ii) site operation and support expenses, (iii) loss on disposal of property and equipment, (iv) office lease, property management expenses and utilities, (v) other tax and surcharges, and (vi) others. The following table sets out a breakdown of our other operating expenses and as percentages of our operating revenue for the periods indicated:

	Year Ended December 31,						Three Months Ended March 31,			
	2015		2016		2017		2017		2018	
	(RMB million)	%	(RMB million)	%	(RMB million)	%	(RMB million)	%	(RMB million)	%
							(Unaudited)			
Power generation charges	168	1.9	1,525	2.7	2,189	3.2	370	2.2	430	2.5
Site operation and support expenses[(1)]	473	5.4	1,295	2.3	1,668	2.4	361	2.2	429	2.5
Loss on disposal of property and equipment	5	0.1	632	1.1	1,330	1.9	267	1.6	185	1.1
Office lease, property management expenses and utilities[(2)]	344	3.9	513	0.9	580	0.9	128	0.8	150	0.9
Other tax and surcharges[(3)]	125	1.4	137	0.2	159	0.2	42	0.3	34	0.2
Others[(4)]	627	7.0	626	1.1	661	1.0	108	0.6	112	0.6
Total	**1,742**	**19.7**	**4,728**	**8.3**	**6,587**	**9.6**	**1,276**	**7.7**	**1,340**	**7.8**

Note:

(1) Site operation and support expenses primarily represent the site planning and monitoring expenses, and the charges of vehicles and transportation incurred during our daily operations.

(2) Office lease, property management expenses and utilities primarily represent the rent and property management fees and utilities expenses.

(3) Other tax and surcharges (excluding income tax and VAT) primarily represent tax on real estate, stamp duty and other surcharges.

(4) Others primarily include administrative expenses such as travelling expenses, conference expenses, professional consulting fees and outsourcing fees.

Comparisons between the three months ended March 31, 2018 and 2017

Our other operating expenses increased by 5.0% from RMB1,276 million in the three months ended March 31, 2017, to RMB1,340 million in the three months ended March 31, 2018, primarily attributable to (i) an increase in power generation charges due to the growth of our power generation services and (ii) an increase in site operation and support expenses due to an increase in the number of our sites.

Comparisons between 2017 and 2016

Our other operating expenses increased by 39.3% from RMB4,728 million in 2016 to RMB6,587 million in 2017, primarily attributable to (i) an increase in power generation charges due to the growth of our power generation services, (ii) an increase in site operation and support expenses, and (iii) an increase in loss on disposal of property and equipment. The increase in site operation and support expenses was due to an increase in the number of our sites, and an enhanced effort in improving our ability to monitor and manage our sites in order to improve our services in 2017. For example, in order to achieve maintenance precision, we installed smart FSUs and sensors to an increasing number of sites in 2016 and 2017, thus resulting in increased monitoring expenses. Loss on disposal of property and equipment increased because we conducted extensive site improvement for our towers and ancillary facilities in 2017, and disposed of the properties and equipment that we found obsolete.

Comparisons between 2016 and 2015

The financial information of (i) power generation charges, (ii) site operation and support expenses, and (iii) loss on disposal of property and equipment in 2015 are not directly comparable to those of 2016. See " — *Our Financial Information for 2015*."

Operating Profit/(Loss)

The following table sets out our operating profit/loss and operating profit margin for the periods indicated:

	Year Ended December 31,			Three Months Ended March 31,	
	2015	**2016**	**2017**	**2017**	**2018**
	(RMB in millions, except percentages)				
				(Unaudited)	
Operating (loss)/profit[1]	(4,161)	5,070	7,715	1,906	2,089
Operating profit margin[2]	N/M	9.1%	11.2%	11.6%	12.1%
EBITDA[3]	977	32,655	40,357	9,749	10,130
EBITDA margin[4]	N/M	58.3%	58.8%	59.3%	58.7%

Notes:

(1) Operating profit/(loss) is the operating revenue minus the operating expenses.

(2) Operating profit margin is calculated by dividing the operating profit/(loss) by operating revenue, and multiplying the resulting value by 100%.

(3) EBITDA is the operating profit/(loss) plus depreciation and amortization.

(4) EBITDA margin is calculated by dividing EBITDA by operating revenue, and multiplying the resulting value by 100%.

Comparisons between the three months ended March 31, 2018 and 2017

Our operating profit increased by 9.6% from RMB1,906 million in the three months ended March 31, 2017, to RMB2,089 million in the three months ended March 31, 2018, and our EBITDA increased by 3.9% from RMB9,749 million to RMB10,130 million during the same period, primarily attributable to (i) an increase in tenants, and (ii) an increase in our tenancy ratio, from 1.44 as of December 31, 2017 to 1.45 as of March 31, 2018, due to site co-location and the resulting improvement of marginal profit. For details of tenancy ratio's effects on our results of operations, see " — *Factors Affecting Our Results of Operations — Co-location of our sites.*"

During the same period, our operating profit margin and EBITDA margin remained relatively stable.

Comparisons between 2017 and 2016

Our operating profit increased by 52.2% from RMB5,070 million in 2016 to RMB7,715 million in 2017. During the same period, our operating profit margin increased from 9.1% to 11.2%, primarily attributable to (i) an increase in tenants, and (ii) an increase in our tenancy ratio, from 1.40 as of December 31, 2016 to 1.44 as of December 31, 2017 due to site co-location and the resulting improvement of marginal profit.

Our EBITDA increased by 23.6% from RMB32,655 million in 2016 to RMB40,357 million in 2017, primarily due to (i) an increase in operating profit, and (ii) an increase in depreciation and amortization attributable to our site construction and improvement projects in 2016 and 2017. During the same period, our EBITDA margin remained relatively stable.

Comparisons between 2016 and 2015

Our financials and operating results in 2015 are not directly comparable to those of 2016. See "*— Our Financial Information for 2015*."

Other Gains

Other gains primarily comprise government grants, penalty payment from suppliers, and other gains outside our operations. Our government grants primarily comprise one-off compensations received for removing or relocating our sites due to eminent domain. We receive penalty payment from suppliers for delays in projects or quality issues. In 2015, 2016 and 2017 and the three months ended March 31, 2018 , our other gains were RMB18 million, RMB48 million, RMB149 million and RMB14 million, respectively, accounting for 0.2%, 0.1%, 0.2% and 0.1% of our operating revenue for the respective periods.

Interest Income

Interest income represents the interest income from our bank deposits. In 2015, 2016 and 2017 and the three months ended March 31, 2018, our interest income was RMB144 million, RMB65 million, RMB104 million and RMB33 million, respectively, accounting for 1.6%, 0.1%, 0.2% and 0.2% of our operating revenue for the respective periods.

Finance Costs

The following table sets out a breakdown of our finance costs for the periods indicated:

	Year Ended December 31,			Three Months Ended March 31,	
	2015	2016	2017	2017	2018
	(RMB million)				
				(Unaudited)	
Interest on borrowings	86	1,293	1,437	317	1,510
Interest on deferred consideration payables	661	4,031	3,987	996	175
Interest on asset-backed notes	—	7	135	38	—
Less: Amounts capitalized in construction in progress	—	(254)	(276)	(63)	(47)
Total finance costs	**747**	**5,077**	**5,283**	**1,288**	**1,638**

Comparisons between the three months ended March 31, 2018 and 2017

Our finance costs increased by 27.2% from RMB1,288 million in the three months ended March 31, 2017, to RMB1,638 million in the three months ended March 31, 2018, primarily attributable to a significant increase in interest on borrowings due to (i) our increased bank borrowings in late 2017, and (ii) the increase in interest rate for new borrowings in late 2017.

Comparisons between 2017 and 2016

Our finance costs increased by 4.1% from RMB5,077 million in 2016 to RMB5,283 million in 2017, primarily attributable to an increase in (i) interest on borrowings due to increased bank borrowings in 2017, and (ii) interest on asset-backed notes, which were issued at the end of 2016. Such increase was partially offset by a decrease in interest on deferred consideration payables, which was because we paid off the majority of the deferred cash consideration for the Tower Asset Acquisitions in an amount of approximately RMB70.9 billion in December 2017.

Comparisons between 2016 and 2015

Our financials and operating results in 2015 are not directly comparable to those of 2016. See "*— Our Financial Information for 2015*."

Income Tax (Credits)/Expenses

The Company and its provincial branches file the PRC enterprise income tax on a consolidated basis. During the Track Record Period, except for certain branches located in some western provinces of China which were taxed at a preferential rate of 15% since 2017, the provision for PRC income tax was based on a statutory rate of 25% of the estimated taxable profits of the Company for the year in accordance with PRC EIT Law and relevant regulations.

The following table sets out the details our income tax credits/expenses for the periods indicated:

	Year Ended December 31,			Three Months Ended 31 March,	
	2015	2016	2017	2017	2018
			(RMB million)		
				(Unaudited)	
Current tax:					
Current tax on estimated taxable profits for the year	—	—	223	—	65
Deferred tax:					
Origination and reversal of temporary differences[1]	(1,150)	30	519	162	53
Income tax (credits)/expense	**(1,150)**	**30**	**742**	**162**	**118**

Note:

(1) Origination and reversal of temporary differences primarily comprises temporary differences in income tax arising from recoverable tax losses, accrued expenses, unwinding finance cost and deferred revenue.

For the difference between the our tax on profit/loss before taxation and the theoretical amount that would arise, see Note 10 to the Accountant's Report set out in Appendix I to this prospectus.

During the Track Record Period and up to the Latest Practicable Date, we had completed the calculation and recording of our PRC EIT in all material aspects, and did not have any material unresolved income tax issues or disputes with the competent tax authorities.

Effective Tax Rate

The following table sets out our effective tax rates for the periods indicated:

	Year Ended December 31,			Three Months Ended March 31,	
	2015	2016	2017	2017	2018
			(%)		
				(Unaudited)	
Effective tax rate[1]	24.2	28.3	27.6	25.1	23.7

Note:

(1) Effective tax rate is the absolute value of the result of dividing the income tax (credits)/expenses by the (loss)/profit before taxation.

Comparisons between the three months ended March 31, 2018 and 2017

Our effective tax rate decreased from 25.1% in the three months ended March 31, 2017, to 23.7% in the three months ended March 31, 2018. Our effective tax rate for the three months ended March 31, 2018 was lower than the 25% statutory tax rate, primarily because the 15% preferential tax rate enjoyed by certain branches located in some western provinces of China.

Comparisons between 2017 and 2016

Our effective tax rate decreased from 28.3% in 2016 to 27.6% in 2017, primarily because certain branches located in some western provinces were taxed at a preferential rate of 15% since 2017 pursuant to the PRC EIT Law and relevant regulations. In addition, due to the fact that these branches became eligible for the 15% preferential rate from 2017 onwards, the deferred tax assets associated therewith, which were previously calculated at the 25% statutory tax rate, were required to be recalculated at 15% pursuant to the requirements of IAS 12. The one-off adjustment to deferred tax assets due to the decrease of tax rate was recorded in profit and loss for the year ended December 31, 2017. Therefore, our effective tax rate in 2017 is higher than the 25% statutory rate. Our effective tax rate for 2016 was also higher than 25%, primarily due to permanent differences of income tax.

Comparisons between 2016 and 2015

Our financials and operating results in 2015 are not directly comparable to those of 2016. See "*— Our Financial Information for 2015.*"

Profit/(Loss) for the Year/Period

For the reasons stated above, we recorded profit for the period of RMB380 million in the three months ended March 31, 2018, profit for the year of RMB1,943 million in 2017, profit for the year of RMB76 million in 2016 and loss for the year of RMB3,596 million in 2015.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, we financed our operations primarily through cash generated from operating activities, borrowings from banks and other financial institutions and capital contribution from shareholders. As of May 31, 2018, we had aggregate cash and cash equivalents of RMB12,076 million.

For discussions of our working capitals, see "*— Selected Balance Sheet Items.*"

Going forward, we expect to finance our operations, our debt service requirements and capital expenditures with net cash flows generated from our operations, debt financing and, if required, additional equity financing. We intend to continue to access existing capital resources, and to seek new sources of funding, to maintain and grow our business on a cost-effective basis.

Taking into account the financial resources available to us, including cash flows from operations, borrowings from banks and other financial institutions, our unutilized revolving credit facilities and the estimated net proceeds of the Global Offering, our Directors are of the opinion that we have sufficient working capital for our requirements for at least the next 12 months from the date of this prospectus. After making reasonable enquires with the Company about the Company's working capital requirements, there is nothing that has caused the Joint Sponsors to disagree with the Directors' view above.

Cash Flows

The following table sets out our cash flows for the periods indicated:

	Year Ended December 31,			Three Months Ended March 31,	
	2015	2016	2017	2017	2018
			(RMB million)		
				(Unaudited)	
Net cash (used in)/generated from operating activities	(6,729)	27,594	34,935	8,705	5,791
Net cash used in investing activities	(15,217)	(46,023)	(51,915)	(12,600)	(8,807)
Net cash generated from/(used in) financing activities	26,007	22,025	7,583	(6,149)	2,385
Net increase/(decrease) in cash and cash equivalents	**4,061**	**3,596**	**(9,397)**	**(10,044)**	**(631)**
Cash and cash equivalents at beginning of the year	9,592	13,653	17,249	17,249	7,852
Cash and cash equivalents at end of the year/period	**13,653**	**17,249**	**7,852**	**7,205**	**7,221**

Operating activities

Under the indirect method, our cash from operating activities reflects (i) our profit/loss before income tax adjusted for non-cash and non-operating items, such as depreciation and amortization, loss on disposal of property, plant and equipment and finance costs; and (ii) the effects of changes in working capital, such as inventories, trade and other receivables, prepayments and other current assets, and accounts payable.

In the three months ended March 31, 2018, we had net cash generated from operating activities of RMB5,791 million, primarily due to our profit before taxation of RMB498 million, as adjusted by (i) the add-back of non-cash items primarily comprising depreciation and amortization of RMB8,041million and finance costs of RMB1,638 million; and (ii) changes in working capital, which primarily comprised an increase in trade and other receivables of RMB4,067 million, an increase in accounts payable of RMB2,561 million, reflecting an increase in our accrued site lease payments, and an increase in long-term prepayments of RMB1,857 million, reflecting an increase in the long-term prepayments for our site leases.

In 2017, we had net cash generated from operating activities of RMB34,935 million, primarily due to our profit before taxation of RMB2,685 million, as adjusted by (i) the add-back of non-cash items primarily comprising depreciation and amortization of RMB32,642 million, finance costs of RMB5,283 million, and loss on disposal of property and equipment of RMB1,330 million; and (ii) changes in working capital, which primarily comprised an increase in the long-term prepayments of RMB4,508 million, reflecting an increase in long-term prepayments for site lease as a result of the increased number of our sites, and an increase in other non-current assets of RMB3,063 million, reflecting the increase in the input VAT recoverable associated with our operating activities.

In 2016, we had net cash generated from operating activities of RMB27,594 million, primarily due to our profit before taxation of RMB106 million, as adjusted by (i) the add-back of non-cash items primarily comprising depreciation and amortization of RMB27,585 million and finance costs of RMB5,077 million; and (ii) changes in working capital, which primarily comprised an increase in trade and other receivables of RMB5,979 million, reflecting the expansion of our business, an increase in other non-current assets of RMB1,410 million and an increase in prepayments and other current assets of RMB565 million, reflecting an increase in the input VAT recoverable due to the increase in our capital expenditures, a decrease in long-term prepayments of RMB1,769 million and an increase in accrued expenses and other payables of RMB707 million.

In 2015, we had net cash used in operating activities of RMB6,729 million, primarily due to our loss before taxation of RMB4,746 million, as adjusted by (i) the add-back of non-cash items primarily comprising depreciation and amortization of RMB5,138 million; and (ii) changes in working capital, which primarily comprised an increase in trade and other receivables of RMB9,805 million, an increase in long-term prepayments of RMB716 million and an increase in accounts payable of RMB1,988 million.

Under the direct method, our cash from operating activities primarily consists of the cash inflows generated from our operating activities and the cash outflows resulting from labor costs paid to suppliers and staff costs paid to our employees.

Investing activities

Our cash outflows from investing activities primarily consist of expenditure arising from the construction, augmentation and improvement of towers and DAS sites and the purchase of land use rights.

In the three months ended March 31, 2018, our net cash used in investing activities was RMB8,807 million, primarily attributable to purchase of property, plant and equipment of RMB8,813 million.

In 2017, our net cash used in investing activities was RMB51,915 million, primarily attributable to purchase of property, plant and equipment of RMB51,837 million.

In 2016, our net cash used in investing activities was RMB46,023 million, primarily attributable to purchase of property, plant and equipment of RMB46,001 million.

In 2015, our net cash used in investing activities was RMB15,217 million, primarily attributable to purchase of property, plant and equipment of RMB15,211 million.

For discussions of property, plant and equipment, see " — *Selected Balance Sheet Items — Non-current assets and liabilities*."

Financing activities

Our financing activities primarily include borrowing from banks and other financial institutions, capital contribution from shareholders and issuance of asset-backed notes.

In the three months ended March 31, 2018, our net cash generated from financing activities was RMB2,385 million, primarily attributable to proceeds from borrowings of RMB15,160 million. The cash inflow was partially offset by repayments of borrowings of RMB9,670 million, payments of deferred consideration and related VAT for the Tower Asset Acquisitions of RMB1,515 million and interest paid of RMB1,590 million for interest-bearing liabilities.

In 2017, our net cash generated from financing activities was RMB7,583 million, primarily attributable to proceeds from borrowings of RMB131,479 million. The cash inflow was partially offset by payments of deferred consideration and related VAT for the Tower Asset Acquisitions of RMB76,631 million, repayments of borrowings of RMB37,973 million, repayment of asset-backed notes of RMB4,950 million and interest paid of RMB4,342 million for interest-bearing liabilities.

In 2016, our net cash generated from financing activities was RMB22,025 million, primarily attributable to proceeds from borrowings of RMB41,675 million, capital contributions from the Company's shareholders of RMB10,727 million and net proceeds from issuance of asset-backed notes of RMB4,937 million. The cash inflow was partially offset by repayments of borrowings of RMB20,887 million, payments of deferred consideration for the Tower Asset Acquisitions of RMB10,966 million and interest paid of RMB3,461 million for interest-bearing liabilities.

In 2015, our net cash generated from financing activities was RMB26,007 million, primarily attributable to proceeds from borrowings of RMB26,375 million. This cash inflow was partially offset by repayments of bank borrowings of RMB300 million and interest paid of RMB68 million for interest-bearing liabilities.

SELECTED BALANCE SHEET ITEMS

Net Current Assets/Liabilities

The following table sets out our current assets and liabilities as of the dates indicated:

	As of December 31,			As of March 31	As of May 31,
	2015	2016	2017	2018	
					(Unaudited)
			(RMB million)		
Current assets:					
Inventories[1]	5	3	28	1	1
Trade and other receivables	20,537	15,789	15,262	19,329	20,317
Prepayments and other current assets	2,918	6,524	7,375	7,837	7,857
Cash and cash equivalents	13,653	17,249	7,852	7,221	12,076
Total current assets	**37,113**	**39,565**	**30,517**	**34,388**	**40,251**
Current liabilities:					
Borrowings	12,900	32,316	95,260	96,429	95,781
Asset-backed notes	—	4,937	—	—	—
Deferred consideration payables — current portion	10,966	90,499	17,252	15,737	15,737
Deferred revenue	—	34	29	18	36
Accounts payable	21,618	39,840	31,906	29,202	28,370
Accrued expenses and other payables	1,643	3,942	5,371	5,351	6,717
Current income tax payable	—	—	223	288	294
Total current liabilities	**47,127**	**171,568**	**150,041**	**147,025**	**146,935**
Net current liabilities	**10,014**	**132,003**	**119,524**	**112,637**	**106,684**

Note:

(1) Inventories primarily consist of office supplies, spare parts for repair and maintenance purposes and low-value consumables.

During the Track Record Period, our net current liabilities has gradually decreased since 2016. Our net current liabilities decreased by 5.3% from RMB112,637 million as of March 31, 2018, to RMB106,684 million as of May 31, 2018, primarily attributable to an increase in our total current assets of RMB5,863 million, reflecting (i) an increase of RMB4,855 million in our cash and cash equivalents mainly as a result of an increase in our long-term borrowings, and (ii) an increase of RMB988 million in our trade and other receivables. Our total current liabilities remained relatively stable as of March 31, 2018 and May 31, 2018. See below the discussions of our current assets and liabilities.

Trade and other receivables

Trade and other receivables primarily comprise (i) trade receivables and (ii) other receivables. During the Track Record Period, the carrying amounts of our trade and other receivables were denominated in Renminbi and our trade and other receivables were non-interest bearing. During the Track Record Period, no impairment had been made for our trade and other receivables.

The following table sets out a summary of our trade and other receivables as of the dates indicated:

	As of December 31,			As of March 31,
	2015	2016	2017	2018
	(RMB million)			
Trade receivables				
Trade receivables	9,430	10,852	10,926	14,357
Less: allowance for impairment of trade receivables	—	—	—	—
Trade receivables — net	**9,430**	**10,852**	**10,926**	**14,357**
Other receivables				
Receivables from shareholders(1)	10,727	—	—	—
Deposits(2)	157	790	689	338
Payments on behalf of customers(3)	220	4,128	3,639	4,619
Others(4)	3	19	8	15
Other receivables	**11,107**	**4,937**	**4,336**	**4,972**
Trade and other receivables	**20,537**	**15,789**	**15,262**	**19,329**

Notes:

(1) Receivables from shareholders were due from China Telecom and China Reform for the Company's new shares issuance, which were unsecured, non-interest bearing, and fully collected in February 2016.

(2) Deposits primarily include deposits paid to lessors and suppliers.

(3) Payments on behalf of customers mainly represent the payments made on behalf of customers for certain sites' electric power charges to electric power companies or other third parties. See "*Connected Transactions — Principal Services Provided to the Telecom Shareholders.*"

(4) Others primarily include advance to employees.

Trade receivables

The balance of our trade receivables increased from RMB10,926 million as of December 31, 2017, to RMB14,357 million as of March 31, 2018, which was generally in line with our business development.

The balances of our trade receivables as of December 31, 2016 and 2017 remained relatively stable.

Our trade receivables balance as of December 31, 2015 is not directly comparable to that of December 31, 2016, as we were still in the process of setting billing and settlement procedures with our customers in 2015.

As of May 31, 2018, approximately RMB11,900 million, or 82.9%, of our trade receivables outstanding as of March 31, 2018, were settled.

The following table sets out our trade receivables by customer as of the dates indicated:

	As of December 31,			As of March 31,
	2015	2016	2017	2018
	(RMB million)			
China Mobile[1]	4,894	5,126	6,216	7,930
China Unicom[2]	2,477	3,277	1,983	2,924
China Telecom	2,059	2,431	2,660	3,392
Others	—	18	67	111
Total	**9,430**	**10,852**	**10,926**	**14,357**

Notes:

(1) Refers to China Mobile Company and its subsidiaries.

(2) Refers to China Unicom Corporation.

The following table sets out the turnover days of our trade receivables for the periods indicated:

	Year Ended December 31,			Three Months Ended March 31,
	2015	2016	2017	2018
Trade receivables turnover days[1]	N/M[2]	66	58	66

Notes:

(1) Trade receivables turnover days for a certain period is the average of opening and closing trade receivables balances divided by the operating revenue for that period and multiplied by 365 days for a year and 90 days for a quarter.

(2) The trade receivables turnover days in 2015 was non-meaningful because we were still in the process of setting billing and settlement procedures with our customers in 2015.

Our trade receivables turnover days remained relatively stable in 2016 and 2017 and the three months ended March 31, 2018.

The following table sets out an aging analysis of our trade receivables, based on invoice dates and before provision for impairment, as of the dates indicated:

	As of December 31,			As of March 31,
	2015	2016	2017	2018
	(RMB million)			
Up to three months	9,430	10,852	10,926	14,348
Three to six months	—	—	—	9
Total	**9,430**	**10,852**	**10,926**	**14,357**

During the Track Record Period, we did not experience any significant losses associated with our trade receivables, and the increase in our trade receivables did not have any material adverse impact on our liquidity or cash flows.

Other receivables

Our other receivables increased by 14.7% from RMB4,336 million as of December 31, 2017, to RMB4,972 million as of March 31, 2018, primarily attributable to an increase in payments on behalf of customers.

Our other receivables decreased by 12.2% from RMB4,937 million as of December 31, 2016, to RMB4,336 million as of December 31, 2017, primarily due to a decrease in payments on behalf of customers.

Our other receivables decreased significantly from RMB11,107 million as of December 31, 2015 to RMB4,937 million as of December 31, 2016, primarily attributable to a decrease in receivables from shareholders, which was a capital contribution commitment from some of our Shareholders and was settled in February 2016. Such decrease was partially offset by an increase in payments to power supply companies on behalf of customers as a result of our business growth.

As of May 31, 2018, approximately RMB3,768 million, or 75.8%, of our other receivables outstanding as of March 31, 2018, were settled.

Prepayments and other current assets

Prepayments and other current assets primarily consist of (i) advance payments and (ii) current portion of input VAT recoverable.

The following table sets out our prepayments and other current assets as of the dates indicated:

	As of December 31,			As of March 31,
	2015	2016	2017	2018
	(RMB million)			
Advance payments[1]	1,966	1,717	2,546	3,046
Input VAT recoverable — current portion[2]	952	4,807	4,829	4,791
Total	**2,918**	**6,524**	**7,375**	**7,837**

Notes:

(1) Advance payments mainly represent prepaid rentals to the landlords of our sites and prepaid electric power charges of our sites.

(2) For discussions of input VAT recoverable, see " — *Non-current assets and liabilities — Other non-current assets.*"

Our prepayments and other current assets increased by 6.3% from RMB7,375 million as of December 31, 2017, to RMB7,837 million as of March 31, 2018, primarily attributable to an increase in advance payments. Such increase was primarily due to the increase electric power charges of our sites during the period.

Our prepayments and other current assets increased by 13.0% from RMB6,524 million as of December 31, 2016, to RMB7,375 million as of December 31, 2017, which was primarily attributable to an increase in advance payments due to the increased number of our sites. During the Track Record Period, the balance of our advance payments fluctuated, primarily due to the differences in the settlement arrangements with our lessors across the country.

Our prepayments and other current assets increased significantly from RMB2,918 million as of December 31, 2015, to RMB6,524 million as of December 31, 2016, primarily attributable to an increase in input VAT recoverable due to our increased capital expenditures.

Accounts payable

Accounts payable primarily consists of payables for construction projects, repairs and maintenance and other services. During the Track Record Period, our accounts payable were non-interest bearing.

The following table sets out a breakdown of our accounts payable as of the dates indicated:

	As of December 31,			As of March 31,
	2015	2016	2017	2018
	(RMB million)			
Payables for projects expenditure and equipment	19,161	35,049	26,706	21,442
Payables for operating lease charges, repairs and maintenance and other services	2,457	4,791	5,200	7,760
Total	**21,618**	**39,840**	**31,906**	**29,202**

During the Track Record Period, the changes in our accounts payable were generally in line with our capital expenditures and operating expenses.

As of May 31, 2018, approximately RMB10,433 million, or 35.7%, of our accounts payable outstanding as of March 31, 2018, were settled.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, there was no material default in payment of accounts payable.

Accounts payable aging analysis

The following table sets out an aging analysis of our accounts payable based on invoice date as of the dates indicated:

	As of December 31,			As of March 31,
	2015	2016	2017	2018
	(RMB million)			
Less than six months	20,649	34,265	27,898	24,880
Six months to one year	969	4,209	2,690	2,870
More than one year	—	1,366	1,318	1,452
Total	**21,618**	**39,840**	**31,906**	**29,202**

Accrued expenses and other payables

Our accrued expenses and other payables primarily consist of (i) interest payable, (ii) deposits from vendors, (iii) accrued expenses, (iv) salary and welfare payables, (v) other tax payables, and (vi) others.

The following table sets out a breakdown of our accrued expenses and other payables as of the dates indicated:

	As of December 31,			As of March 31,
	2015	2016	2017	2018
	(RMB million)			
Interest payable	638	2,230	3,144	3,239
Deposits from vendors	311	811	1,045	1,118
Accrued expenses[(1)]	104	259	464	127
Salary and welfare payables	408	413	436	694
Other tax payables[(2)]	144	182	137	73
Others[(3)]	38	47	145	100
Total	**1,643**	**3,942**	**5,371**	**5,351**

Notes:

(1) Accrued expenses primarily include accrued expenses for repairs and maintenance and office building related expenses.

(2) Other tax payables represent tax payables other than income tax payables.

(3) Others primarily includes social welfare payments for our employees.

During the Track Record Period, our accrued expenses and other payables were non-interest bearing.

The balance of our accrued expenses and other payables as of December 31, 2017 and March 31, 2018 remained relatively stable.

The balance of our accrued expenses and other payables increased by 36.3% from RMB3,942 million as of December 31, 2016, to RMB5,371 million as of December 31, 2017, primarily attributable to (i) an increase in interest payable with respect to deferred consideration payables, and (ii) an increase in deposits from vendors due to our business growth.

The balance of our accrued expenses and other payables balance increased significantly from RMB1,643 million as of December 31, 2015, to RMB3,942 million as of December 31, 2016, primarily due to (i) an increase in interest payable with respect to deferred consideration payables, and (ii) an increase in deposits from vendors due to our business growth.

Non-current Assets and Liabilities

The following table sets out our non-current assets and liabilities as of the dates indicated:

	As of December 31,			As of March 31,
	2015	2016	2017	2018
	(RMB million)			
Non-current assets:				
Property, plant and equipment	203,886	245,788	258,138	254,619
Construction in progress	19,807	13,592	10,930	10,006
Long-term prepayments(1)	7,089	5,385	9,910	11,777
Deferred income tax assets	1,238	1,208	689	636
Other non-current assets(2)	5	6,130	12,459	12,914
Total non-current assets	**232,025**	**272,103**	**292,126**	**289,952**
Non-current liabilities:				
Borrowings	10,984	12,280	43,793	48,195
Deferred consideration payables	83,333	—	—	—
Deferred revenue(3)	2,218	2,268	1,314	1,245
Total non-current liabilities	**96,535**	**14,548**	**45,107**	**49,440**

Notes:

(1) Long-term prepayments primarily include the prepayments for site leases and land use rights. See Note 14 of "*Appendix I — Accountant's Report.*" The balance of these prepayments may fluctuate as a result of the different terms of the leasing agreements from time to time we entered into or renewed.

(2) Other non-current assets primarily include the non-current portion of VAT recoverable.

(3) Deferred revenue primarily include the difference between the fair value and face value of the low-interest loans was recognized as government grants in deferred revenue. See Note 21(a) and Note 22 of "*Appendix I — Accountant's Report.*"

Property, plant and equipment

Our property, plant and equipment primarily consist of (i) buildings, (ii) towers and ancillary facilities, (iii) machinery and electronic devices, and (iv) office facilities and others.

The following table sets out the net book value of our property, plant and equipment as of the dates indicated:

	As of December 31,			As of March 31,
	2015	**2016**	**2017**	**2018**
	(RMB million)			
Cost	209,021	277,985	321,897	326,218
Less:				
Accumulated depreciation	(5,135)	(32,197)	(63,759)	(71,599)
Net book value	**203,886**	**245,788**	**258,138**	**254,619**

Our property, plant and equipment decreased by 1.4% from RMB258,138 million as of December 31, 2017, to RMB254,619 million as of March 31, 2018, primarily because for the three months ended March 31, 2018, the depreciation of property, plant and equipment was greater than the value of property, plant and equipment that was transferred from construction in progress.

Our property, plant and equipment increased by 5.0% from RMB245,788 million as of December 31, 2016, to RMB258,138 million as of December 31, 2017, primarily due to our site construction and improvement projects in 2017 that were transferred from construction in progress.

Our property, plant and equipment increased by 20.6% from RMB203,886 million as of December 31, 2015, to RMB245,788 million as of December 31, 2016, primarily due to the site construction and improvement projects in 2016 that were transferred from construction in progress.

Construction in progress

Construction in progress primarily includes the towers, DAS and other telecommunications infrastructure projects that are under construction or pending installation, and is stated at cost less accumulated impairment losses. Costs primarily include equipment procurement costs, designing costs and construction costs.

The following table sets out our construction in progress as of the dates indicated:

	2015	2016	2017	2018
	(RMB million)			
Balance at January 1	213	19,807	13,592	10,930
Additions	48,028	61,166	42,144	3,757
Transferred to property, plant and equipment	(28,434)	(67,381)	(44,806)	(4,681)
Balance at December 31/March 31	**19,807**	**13,592**	**10,930**	**10,006**

Our construction in progress decreased by 8.5% from RMB10,930 million as of December 31, 2017, to RMB10,006 million as of March 31, 2018, primarily because during the first quarter of 2018 the addition to construction in progress was less than the construction in progress transferred to property, plant and equipment.

Our construction in progress decreased by 19.6% from RMB13,592 million as of December 31, 2016, to RMB10,930 million as of December 31, 2017, primarily because we conducted less site construction and improvement projects in 2017.

Our construction in progress decreased by 31.4% from RMB19,807 million as of December 31, 2015, to RMB13,592 million as of December 31, 2016, primarily because we acquired a substantial amount of construction in progress from the Big Three TSPs in the Tower Asset Acquisitions in 2015, most of which were completed and transferred to property, plant and equipment in 2016.

Deferred income tax assets

Deferred income tax assets primarily arise from tax losses, accrued expenses, unwinding finance cost and deferred revenue. See Note 15 in the Accountant's Report set out in Appendix I to this prospectus.

Our deferred income tax assets decreased by 7.7% from RMB689 million as of December 31, 2017, to RMB636 million as of March 31, 2018, primarily due to a decrease in accrued expenses.

Our deferred income tax assets decreased significantly from RMB1,208 million as of December 31, 2016, to RMB689 million as of December 31, 2017, primarily reflecting the decrease in tax losses which was utilized in 2017.

Our deferred income tax assets remained relatively stable as of December 31, 2015 and 2016.

Other non-current assets

Other non-current assets primarily include (i) non-current portion of input VAT recoverable and (ii) others. The following table sets out our other non-current assets as of the dates indicated:

	As of December 31,			As of March 31,
	2015	2016	2017	2018
	(RMB million)			
Input VAT recoverable — non-current portion[1]	—	6,081	12,337	12,789
Others[2]	5	49	122	125
Total	**5**	**6,130**	**12,459**	**12,914**

Notes:

(1) Input VAT recoverable represents the excess of input VAT over output VAT during the Track Record Period. The input VAT recoverable can be carried forward indefinitely to set-off future output VAT in the following periods according to relevant VAT regulations of the PRC.

(2) Others primarily include purchased software used by the Company that recognized at initial cost and amortized over the estimated useful life. In 2015, 2016 and 2017 and the three months ended March 31, 2018, amortization of software was nil, RMB1 million, RMB12 million and RMB2 million, respectively.

During the track record period, the increase in our other non-current assets was primarily attributable to (i) the input VAT invoices we received from time to time from the Big Three TSPs for Tower Asset Acquisitions, and (ii) an increase in the VAT recoverable due to our capital expenditures during the periods.

INDEBTEDNESS

The following table sets out our total interest-bearing liabilities as of the dates indicated:

	As of December 31,			As of March 31,	As of May 31,
	2015	2016	2017	2018	
					(Unaudited)
			(RMB million)		
Non-current:					
Borrowings	10,984	12,280	43,793	48,195	51,447
Deferred consideration payables	83,333	—	—	—	—
Total non-current interest-bearing liabilities	**94,317**	**12,280**	**43,793**	**48,195**	**51,447**
Current:					
Borrowings	12,900	32,316	95,260	96,429	95,781
Asset-backed notes	—	4,937	—	—	—
Deferred consideration payables — current portion	10,966	90,499	17,252	15,737	15,737
Total current interest-bearing liabilities	**23,866**	**127,752**	**112,512**	**112,166**	**111,518**
Total	**118,183**	**140,032**	**156,305**	**160,361**	**162,965**

Our interest-bearing liabilities were repayable as of the dates indicated:

	As of December 31,			As of March 31,	As of May 31,
	2015	2016	2017	2018	
					(Unaudited)
			(RMB million)		
Within one year	23,866	127,752	112,512	112,166	111,518
Between one and two years	84,463	1,377	11,276	11,356	11,339
Between two and five years	3,562	4,415	29,608	33,908	38,018
Over five years	6,292	6,488	2,909	2,931	2,090
Total	**118,183**	**140,032**	**156,305**	**160,361**	**162,965**

Borrowings

The following table sets out our borrowings as of the dates indicated:

	As of December 31,			As of March 31,	As of May 31,
	2015	2016	2017	2018	
					(Unaudited)
			(RMB million)		
Long-term borrowings	10,984	13,446	45,724	50,085	53,539
Less: current portion	—	(1,166)	(1,931)	(1,890)	(2,092)
Balance presented in non-current liabilities	**10,984**	**12,280**	**43,793**	**48,195**	**51,447**
Short-term borrowings	12,900	31,150	93,329	94,539	93,689
Long-term borrowings — current portion	—	1,166	1,931	1,890	2,092
Balance presented in current liabilities	**12,900**	**32,316**	**95,260**	**96,429**	**95,781**
Total	**23,884**	**44,596**	**139,053**	**144,624**	**147,228**

For details of our borrowings, see Note 21(a) of "*Appendix I — Accountant's Report.*"

Deferred Consideration Payables

Deferred consideration payables represent the outstanding cash consideration due to the Tower Asset Acquisitions. Pursuant to relevant agreements, we acquired Tower Assets by issuing shares and paying cash consideration. The total cash consideration was approximately RMB94,866 million.

We made the first cash payments of RMB10,966 million to China Mobile Company, China Unicom Corporation and CTC in February 2016. The unpaid balance, together with related input VAT, bears interest from November 1, 2015, at 90% of the financial institution's one-year benchmark lending rate announced by the PBOC prevailing on the Acquisition Date.

In December 2017, we settled RMB70,939 million with China Mobile Company, China Unicom Corporation and CUC. The remaining consideration payables to CMCC of RMB12,961 million was further deferred and to be settled before December 31, 2018. Such balance bears an interest rate at the financial institution's one-year benchmark lending rate announced by the PBOC.

Asset-backed Notes

On December 14, 2016, we completed the issuance of asset-backed notes in China Interbank Bond Market. The issuance was RMB4,950 million and the interest rate was 2.86% per annum. The maturity period of the asset-backed notes is one year. We repaid the total principal and interest of the asset-backed notes in December 2017.

Indebtedness Statement

As of May 31, 2018, being the latest practicable date for the purpose of the indebtedness statement, our total borrowings from banks and other financial institutions amounted to RMB147,228 million, and deferred consideration payables (including VAT input) amounted to RMB15,737 million. As of the same date, all interest-bearing financial liabilities were denominated in Renminbi.

As of May 31, 2018, the latest date for determining our indebtedness, we had unutilized and unrestricted revolving bank credit facilities of RMB160,920 million. As a measure to manage our cash and liquidity position, the revolving bank credit facilities allow us to maintain adequate sources to fund our working capital requirements or other financing needs and provide the flexibility for us to borrow additional funds on an as-needed basis.

Our Directors confirmed that there has not been any material increase in our indebtedness since May 31, 2018 to the date of this prospectus. As of the Latest Practicable Date, there was no material restrictive covenant in our indebtedness which could significantly limit our ability to obtain future financing, nor was there any material default on our indebtedness or breach of covenant during the Track Record Period and up to the Latest Practicable Date. As of the Latest Practicable Date, except for bank borrowings, we did not have plans for other material external debt financing.

CONTINGENT LIABILITIES

As of May 31, 2018, being the latest practicable date for determining such information, we had no material contingent liabilities or guarantees. We are not currently involved in any significant litigation and we are not aware of any outstanding or threatened significant litigation. If we are involved in any such significant litigation which may incur a loss in an amount which can be reasonably estimated according to available information at that time, we will record the loss or contingent liability accordingly.

CAPITAL EXPENDITURES AND COMMITMENTS

Capital Expenditures

Our capital expenditures primarily comprise expenditures on the Tower Asset Acquisitions, construction, augmentation, replacement and improvement of our sites and ancillary facilities. Capital expenditures represent the addition of our property, plant and equipment, land use right and software. During the Track Record Period, we funded our capital expenditures primarily through cash generated from operating activities, borrowings from banks and other financial institutions and capital contribution from shareholders. The following table sets out our capital expenditures for the periods indicated:

	Year Ended December 31,			Three Months Ended 31 March,
	2015	2016	2017	2018
	(RMB million)			
New site construction and augmentation[1]	32,365	53,321	36,918	2,798
Ancillary facilities replacement and improvement[2]	1,019	7,447	5,779	451
Tower and shelter maintenance	2	310	410	38
Tower Asset Acquisitions	195,363	2,846	—	—
Others[3]	321	179	729	538
Total	**229,070**	**64,103**	**43,836**	**3,825**

Notes:

(1) Primarily include capital expenditures arising from the construction and augmentation of towers and DAS sites which were conducted to meet our customers' increasing demand.

(2) Primarily include capital expenditures arising from the replacement and improvement of obsolete ancillary facilities or addition of new facilities, such as installation or change of smart FSUs, sensors, batteries and air conditioners.

(3) Others primarily include capital expenditures related to office buildings, vehicles and software.

Our capital expenditures for the three months ended March 31, 2018 was RMB3,825 million, primarily including capital expenditures arising from new site construction and augmentation.

Our capital expenditures decreased by 31.6% from RMB64,103 million in 2016 to RMB43,836 million in 2017, primarily attributable to (i) a decrease in capital expenditures arising from new site construction and augmentation, and (ii) a decrease in the capital expenditures arising from ancillary facilities replacement and improvement. The former was due to a decrease in the number of site construction and augmentation projects in 2017 as compared to 2016. The latter was due to a significant decrease in the number of newly installed smart FSUs and sensors in 2017 as compared to 2016; related capital expenditures decreased from RMB2,718 million in 2016 to RMB962 million in 2017.

Our capital expenditures significantly decreased from RMB229,070 million in 2015 to RMB64,103 million in 2016, primarily due to the significant decrease in capital expenditures arising from the Tower Asset Acquisitions. Such decrease was partially offset by (i) an increase in capital expenditures arising from new site construction and augmentation, and (ii) an increase in capital expenditures arising from ancillary facilities replacement and improvement. To better adapt to our operation expansions, in 2016 we conducted more site construction and augmentation projects, and extensively improved the ancillary facilities of the acquired sites, such as installation or change of batteries, smart FSUs and sensors.

We expect to incur approximately RMB34 billion in capital expenditures in 2018, primarily related to the constructions, augmentation, improvement and maintenance of our sites. We plan to fund our planned capital expenditures through cash flows from operating activities, borrowings from banks and other financial institutions, and debt and equity financing.

Capital Commitments

Our capital commitments are primarily related to the construction of buildings which had been authorized but not contracted, as well as those had been authorized and contracted. The following table sets out our capital commitments as of the dates indicated:

	As of December 31,			As of March 31,
	2015	2016	2017	2018
	(RMB million)			
Authorized but not contracted for:				
No later than one year	—	176	2,231	—
Later than one year and no later than five years	—	—	—	—
Total	**—**	**176**	**2,231**	**—**
Authorized and contracted for:				
No later than one year	—	—	446	868
Later than one year and no later than five years	—	—	—	—
Total	**—**	**—**	**446**	**868**

Operating Lease Commitments

As lessee

We lease office premises and site properties for telecommunications towers under non-cancellable operating lease agreements. Generally, the vast majority of our lease agreements are renewable at the end of the term at market rate.

The following table sets out our future aggregate minimum lease payments under non-cancellable operating leases of office premises and site properties which fall due as of the dates indicated:

	As of December 31,			As of March 31,
	2015	2016	2017	2018
	(RMB million)			
No later than one year	5,791	6,148	5,539	7,180
Later than one year and no later than five years	8,621	10,428	9,456	11,401
Later than five years	6,559	5,931	4,999	5,155
Total	**20,971**	**22,507**	**19,994**	**23,736**

As lessor

As of December 31 2015, 2016 and 2017 and March 31, 2018, our future aggregate minimum lease receipts under non-cancellable operating leases during the leasing period (five years) were RMB212,622 million, RMB223,051 million, RMB286,165 million and RMB297,300 million, respectively.

DIVIDEND

During the Track Record Period, we did not declare or distribute any dividend.

We currently do not have any pre-determined dividend payout ratio. In order to return capital to our Shareholders in line with our growth when it is appropriate to do so, we intend to adopt a general dividend policy of declaring and paying dividends with reference to dividends declared and paid by global telecommunications tower infrastructure companies, our results of operations, cash flows, financial condition, operating and capital expenditure requirements, distributable profits as determined under PRC GAAP or IFRSs (whichever is lower) and other factors that our Directors may consider relevant. We also intend to adopt in such general dividend policy a dividend payout ratio of no less than 50% of our annual distributable net profit provided that the aforesaid factors are properly taken into consideration. We may declare and pay dividends by way of cash or by other means that we consider appropriate in the future. Distribution of dividends will be decided by our Board at their discretion and will be subject to Shareholders' approval. In addition, our dividend policy will also be subject to our Articles of Association, the PRC Company Law, any other applicable PRC law and regulations. In any event, we will pay dividends out of our profit after tax only after we have made the following allocations:

- recovery of accumulated losses, if any;

- allocation to the statutory common reserve fund an amount of no less than 10% of our profit after tax, as determined under PRC GAAP; and

- allocation, if any, to a discretionary common reserve fund an amount approved by the shareholders in a shareholders' meeting.

The minimum allocation to the statutory common reserve fund is 10% of our profit after tax, as determined under PRC GAAP. When the statutory common reserve fund reaches and is maintained at or above 50% of our registered capital, no further allocation to this statutory common reserve fund will be required. In accordance with our Articles of Association, after completion of the Global Offering, dividends may be paid only out of distributable profits as determined under PRC GAAP or IFRSs, whichever is lower. Any distributable profits that are not distributed in any given year will be retained and become available for distribution in subsequent years. There is, however, no assurance that we will be able to declare dividends of such an amount or any amount each year or in any year.

DISTRIBUTABLE RESERVES

Pursuant to our Articles of Association, following the Listing Rules, the amount of our retained profits available for distribution shall be the lower of the amount determined under PRC GAAP and that determined under IFRSs. As of March 31, 2018, we did not have any distributable reserves determined under PRC GAAP and IFRSs.

KEY FINANCIAL MEASURES

The following table sets out certain of our key financial measures during the Track Record Period:

	Year Ended December 31,			Three Months Ended March 31,	
	2015	2016	2017	2017	2018
EBITDA margin (%) [1]	N/M	58.3%	58.8%	59.3%	58.7%

	Year Ended December 31,			Three Months Ended March 31,
	2015	2016	2017	2018
Trade receivables turnover days	N/M	66	58	66

	As of December 31,			As of March 31,
	2015	2016	2017	2018
Current ratio (times)[(2)]	0.8	0.2	0.2	0.2
Gearing ratio (%)[(3)]	45.4%	49.4%	53.8%	54.5%

Notes:

(1) EBITDA margin is calculated by dividing EBITDA (namely operating profit/loss before depreciation and amortization) by operating revenue, and multiplying the resulting value by 100%.

(2) Current ratio is calculated by dividing total current assets by total current liabilities.

(3) Gearing ratio is calculated by dividing net interest-bearing liabilities (total interest bearing liabilities net of cash and cash equivalents) by the sum of total equity and net interest-bearing liabilities, and multiplying the resulting value by 100%.

EBITDA Margin

For discussions of EBITDA margin, see " — *Results of Operations — Operating profit/(loss).*"

Trade Receivables Turnover Days

For discussions of trade receivables turnover days, see " — *Selected Balance Sheet Items — Net current assets/liabilities — Trade and other receivables.*"

Current Ratio

Our current ratio remained relatively stable at 0.2 times as of December 31, 2016 and 2017 and March 31, 2018.

Our current ratio decreased from 0.8 times as of December 31, 2015, to 0.2 times as of December 31, 2016, primarily due to the significant increase in accounts payable, short term borrowings and current portion of long-term borrowings, which resulted in an increase in current liabilities whereas our current assets remained relatively stable.

Gearing Ratio

Our gearing ratio increased from 53.8% as of December 31, 2017 to 54.5% as of March 31, 2018, primarily attributable to increased interest-bearing borrowings due to the bank borrowings obtained in 2018.

Our gearing ratio increased from 49.4% as of December 31, 2016, to 53.8% as of December 31, 2017, primarily attributable to increased interest-bearing borrowings due to the bank borrowings obtained in 2017.

Our gearing ratio increased from 45.4% as of December 31, 2015, to 49.4% as of December 31, 2016, primarily attributable to increased interest-bearing borrowings due to the bank borrowings obtained in 2016.

DISCLOSURE ABOUT FINANCIAL RISK

Interest Rate Risk

Our interest rate risk arises from long-term interest-bearing liabilities. Borrowings obtained at floating rates expose us to cash flow interest rate risk, which is partially offset by cash at banks held at variable rates. Borrowings obtained at fixed rates expose us to fair value interest rate risk. As of December 31, 2017 and March 31, 2018, our borrowings at floating rate are denominated in Renminbi.

We analyze our interest rate risk exposure on a dynamic basis. Various scenarios are simulated taking into consideration of refinancing, renewal of existing positions, and alternative financing. Based on these scenarios, we calculate the impact on profit and loss of a defined interest rate shift applicable to us. The scenarios are run only for liabilities that represent the major interest-bearing positions.

Based on the prevailing market conditions, we would determine an appropriate level of exposure arising from cash flow interest rate risk and fair value interest rate risk, and according to which adjust the levels of borrowings at floating rates and fixed rates, depending on the assessment of the interest exposure. As of December 31, 2015, 2016 and 2017 and March 31, 2018, our long-term bank borrowings at floating rates were nil, nil, RMB35,200 million and RMB39,600 million, respectively, and all other borrowings are at fixed rates.

For the purpose of reducing interest rate exposure, we may enter fixed-to-floating interest rate swap arrangement. During each of the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018, we had no position in interest rate swap. For the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2017 and 2018, based on the simulations performed, assuming interest rates increase/decrease by 100 basis points, our profit for the year will decrease/increase by nil, nil, RMB2.3 million, nil and RMB72 million, respectively, due from long-term borrowings at floating rates. In 2015 and 2016, we did not have any long-term borrowings at floating rates.

Credit Risk

Credit risk is managed by sources, such as cash at banks, deposits with banks and other financial institutions, as well as credit exposures to customers and other debtors, including outstanding receivables and committed transactions.

Since bank deposits are mainly placed with state-owned banks and other large-scale listed financial institutions, we consider that there is no material credit risk regarding the deposits with banks and other financial institutions.

As for trade and other receivables, we have credit policy to monitor the level of credit risk. In general, the credit record and credit period for each customer or debtor are regularly assessed, based on the customer's or debtor's financial condition, their capacity to obtain guarantee from third parties, their credit records and other factors such as current market condition. We are sensitive to changes in the creditworthiness and financial strength of our main customers due to the importance of these key customers to the overall revenue.

Given our business nature, we have significant concentration of credit risk, since there are significant trade receivables due from the Big Three TSPs. As of December 31, 2015, 2016 and 2017 and March 31, 2018, our trade receivables balances due from the Big Three TSPs were 100%, 99.8%, 99.4% and 99.2% of our total trade receivables balances, respectively. To mitigate this credit risk, we timely monitor our receivable balances and all bills should be paid within one to three months as agreed with the Big Three TSPs. Due to sound credit record and business goodwill, the credit risks of these three customers are assessed as low. For other customers, we regularly monitor their credit records and take the necessary actions to reduce and control the overall credit risk, such as sending written notice for payment, getting payment guarantee and shortening or cancelling credit period.

We consider the probability of default upon initial recognition of trade and other receivables which subsequently measured at amortised cost and whether there has been a significant increase in credit risk on an ongoing basis throughout the Track Record Period. To assess whether there is a significant increase in credit risk, we compare the risk of a default occurring on the trade and other receivables as at the balance sheet date with the risk of default as at the date of initial recognition. We consider available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant changes to the debtor's ability to meet its obligations;

- actual or expected significant changes in the operating results of debtors; and

- significant changes in the expected performance and behavior of the debtors, including changes in the payment status of debtors of ours and changes in the operating results of the debtors.

For trade receivables and other receivables from customers (mainly payments made on behalf of customers), we apply the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for these receivables due from third parties and related parties. Expected loss rate of these receivables from third parties and related parties arising from the ordinary course of business are assessed to be low, because of the debtor's good background and reputation and no past due and default history. Thus, the loss allowance provision for such balances was not material and no loss allowance provision was recognised during the Track Record Period.

No credit limits were exceeded and no uncollectible receivables were identified during the Track Record Period. We do not expect any significant losses from non-performance by these counterparties.

Liquidity Risk

Prudent liquidity risk management includes maintaining sufficient cash and ensuring the availability of funds. Given our business nature, our policy is to maintain flexibility in funding through having adequate amount of cash and cash equivalents, utilizing different sources of financing, and maintaining the availability of committed credit facilities.

We invest surplus cash in short-term time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom. As of December 31, 2015, 2016 and 2017 and March 31, 2018, our cash and cash equivalents were RMB13,653 million, RMB17,249 million, RMB7,852 million and RMB7,221 million, respectively. In addition, we consider that we have adequate liquidity and access to medium and long-term financings that enable us to meet working capital requirements and commitments for future capital expenditures.

We monitor rolling forecasts of our liquidity requirements to ensure it has sufficient cash and cash equivalents to meet operational needs and capital expenditure requirements, while maintaining sufficient headroom on our undrawn committed banking facilities. Such forecasting takes into consideration of our debt financing plans, covenant compliance (where applicable) and the economic environment.

The following table sets out the remaining contractual maturities at the balance sheet date of our financial liabilities, which are based on the undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on prevailing rates at the balance sheet date) and the earliest date we would be required to repay:

	Carrying amount	Total contractual undiscounted cash flow	Within one year or on demand	Between one and two years	Between two and five years	Over five years
	(RMB million)					
At December 31, 2015						
Borrowings	23,884	27,407	13,513	1,344	4,336	8,214
Accounts payable and other payables excluding non-financial liabilities	22,605	22,605	22,605	—	—	—
Deferred consideration payables	94,299	102,093	14,862	87,231	—	—
Total	**140,788**	**152,105**	**50,980**	**88,575**	**4,336**	**8,214**
At December 31, 2016						
Borrowings	44,596	46,516	33,814	1,366	4,576	6,760
Accounts payable and other payables excluding non-financial liabilities	42,928	42,928	42,928	—	—	—
Asset-backed notes	4,937	5,092	5,092	—	—	—
Deferred consideration payables	90,499	94,246	94,246	—	—	—
Total	**182,960**	**188,782**	**176,080**	**1,366**	**4,576**	**6,760**
At December 31, 2017						
Borrowings	139,053	148,475	100,192	13,117	31,592	3,574
Accounts payable and other payables excluding non-financial liabilities	36,240	36,240	36,240	—	—	—
Deferred consideration payables	17,252	17,927	17,927	—	—	—
Total	**192,545**	**202,642**	**154,359**	**13,117**	**31,592**	**3,574**
At March 31, 2018						
Borrowings	144,624	153,399	100,888	13,269	35,678	3,564
Accounts payable and other payables excluding non-financial liabilities	33,659	33,659	33,659	—	—	—
Deferred consideration payables	15,737	16,251	16,251	—	—	—
Total	**194,020**	**203,309**	**150,798**	**13,269**	**35,678**	**3,564**

OFF-BALANCE SHEET ARRANGEMENTS

We have not entered into, nor do we expect to enter into, any off-balance sheet arrangements. We also have not entered into any financial guarantees or other commitments to guarantee the payment obligations of third parties. In addition, we have not entered into any derivative contracts that are indexed to our equity interests and classified as owners' equity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging or research and development services with us.

DISCLOSURE REQUIRED UNDER THE HONG KONG LISTING RULES

Except as otherwise disclosed in this prospectus, our Directors confirm that, as of the Latest Practicable Date, they were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to Rules 13.19 of the Hong Kong Listing Rules.

RELATED-PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. For our material related-party transactions and balances with related parties, see Note 29 of "*Appendix I — Accountant's Report*."

As of March 31, 2018, all of our balances with related parties were trade in nature, except for the (i) deferred consideration payables, (ii) short-term borrowings from related parties, and (iii) interest arised from deferred consideration payables and short-term borrowings from related parties, as stated in accrued expenses and other payables. We obtained short-term borrowings from CMCC Group. These borrowings are unsecured, with interest rates determined by benchmarking to the financial institution's one-year lending rate announced by the PBOC. These short-term borrowings have a maturity period of three to 12 months. As of December 31, 2015, 2016 and 2017 and March 31, 2018, balances of short-term borrowings due to CMCC Group were RMB3,000 million, RMB4,650 million, RMB19,309 million and RMB15,209 million, respectively.

Our Directors believe that each of the related-party transactions set out in Note 29 in the Accountant's Report set out in Appendix I to this prospectus was conducted in the ordinary course of business at arm's length between the relevant parties and was entered into on normal commercial terms. Our Directors are also of the view that our related-party transactions during the Track Record Period would not distort our track record results or make our historical results not indicative of our future performance.

DIRECTORS' CONFIRMATION ON NO MATERIAL ADVERSE CHANGE

Our Directors confirm that they have performed sufficient due diligence on our Company to ensure that, up to the date of this prospectus there has been no material adverse change in our financial or prospects since March 31, 2018 (the date of the latest audited financial information of the Company), there has been no event since March 31, 2018, which would materially affect the information shown in the Accountant's Report set out in Appendix I to this prospectus.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative and unaudited pro forma statement of adjusted net tangible assets of the Company which has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Global Offering on the net tangible assets of the Company attributable to owners of the Company as at March 31, 2018 as if the Global Offering had taken place on that date.

This unaudited pro forma adjusted net tangible assets of the Company has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the net tangible assets of the Company had the Global Offering been completed as of March 31, 2018 or at any future date.

	Audited net tangible assets of the Company attributable to owners of the Company as of March 31, 2018(1)	Estimated net proceeds from the Global Offering(2)	Unaudited pro forma adjusted net tangible assets attributable to owners of the Company as of March 31, 2018(3)	Unaudited pro forma adjusted net tangible assets per Share(4)	
	RMB million	RMB million	RMB million	RMB	HK$
Based on an Offer Price of HK$1.26 per H Share	127,750	45,544	173,294	1.00	1.17
Based on an Offer Price of HK$1.58 per H Share	127,750	57,129	184,879	1.07	1.26

Notes:

(1) The audited net tangible assets attributable to owners of the Company as of March 31, 2018 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited net assets of the Company attributable to owners of the Company as of March 31, 2018 of RMB127,875 million, with adjustments for intangible assets as of March 31, 2018 of RMB125 million, which mainly represented the purchased software.

(2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK$1.26 and HK$1.58 per H Share after deduction of the estimated underwriting fees and other related expenses payable by us, and takes no account of any shares which may be issued upon the exercise of the Over-allotment Option.

(3) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 172,459,415,024 Shares were in issue assuming that the Global Offering has been completed on March 31, 2018, but takes no account of any shares which may be issued upon the exercise of the Over-allotment Option.

(4) For the purpose of this unaudited pro forma statement of adjusted net tangible assets, the balance stated in Renminbi are converted into Hong Kong dollars at the rate of RMB0.85254 to HK$1.00. No representation is made that Renminbi amounts have been, could have been or may be converted into Hong Kong dollars, or vice versa, at that rate.

Save as disclosed above, no adjustment has been made to the unaudited pro forma adjusted net tangible assets to reflect any trading results or other transactions of the Company entered into subsequent to March 31, 2018.

LISTING EXPENSES

Listing expenses represent professional fees, underwriting commission and other fees incurred in connection with the Listing and the Global Offering. Listing expenses to be borne by us are estimated to be approximately RMB858.5 million (assuming an Offer Price of HK$1.42 per H Share, being the mid-point of the Offer Price range stated in this prospectus), of which approximately RMB843.2 million is directly attributable to the issue of H Shares to the public and to be capitalized, and the rest has been, or is expected to be reflected in our statements of comprehensive income for 2018. Our Directors do not expect such expenses to materially impact our results of operations for 2018.

In accordance with International Accounting Standard 32 "Financial Instruments Presentation" issued by the IASB, those expenses which are incremental and directly attributable to offering of new shares are transaction costs of equity transaction and should be deducted from equity, while those expenses relating to the listing of existing shares are not related to equity transaction and thus should be charged to the income statement. Therefore the Global Offering is offering of new Shares without listing of existing Shares.

Accordingly, those expenses relating to the Global Offering, other than roadshow expenses and public relationship costs which are marketing expenses in nature and will be expensed off when incurred, are incremental and directly attributable to offering of new Shares and should be deducted from equity instead of charged to profit and loss.

RECENT DEVELOPMENTS AND CHANGES IN 2018

As of June 30, 2018, we operated and managed 1,898,139 sites, including 1,878,739 tower sites and 19,400 DAS sites, and served 2,784,559 tenants, including 2,679,100 tenants in macro cell business, 21,045 tenants in small cell business, 26,972 tenants in DAS business and 57,442 tenants in TSSAI business. As of June 30, 2018, our tenancy ratio was 1.47 and the tenancy ratio of the TSP tenants for ground tower sites in operation was 1.54. From the date of our establishment to June 30, 2018, 71.1% of our new TSP tenants were served through co-location. For the six months ended June 30, 2018, we built and delivered 30,773 new sites.

Based on our unaudited management accounts, our operating revenue increased by 6.2% from RMB33,272 million in the six months ended June 30, 2017 to RMB35,335 million in the six months ended June 30, 2018, primarily due to an increase in our tower sites and tenants, reflecting the continuous expansions of our tower business, DAS business and TSSAI business. The following table sets out our operating revenue by business for the periods indicated:

	Six Months Ended June 30,	
	2017	2018
	(RMB million) (Unaudited)	
Tower business		
Macro cell business	32,718	33,888
Small cell business	99	176
DAS business	424	824
TSSAI business	22	374
Others(1)	9	73
Operating revenue	33,272	35,335

Note:

(1) Revenue from others include revenue generated from transmission services, commissions for paying electric power charges on behalf of customers, and income from leasing some of our properties. Through our transmission services, we provide short interval tubes, poles and other facilities to our tenants.

Based on our unaudited management accounts, our depreciation and amortization slightly increased by 2.2% from RMB15,799 million in the six months ended June 30, 2017 to RMB16,147 million in the six months ended June 30, 2018, primarily due to our site construction and improvement projects completed in the 12 months ended June 30, 2018, which were transferred from construction in progress to property, plant and equipment and had been depreciated accordingly. Such increase was partially offset by a decrease in the depreciation of towers and ancillary facilities, which was primarily due to the change of the estimated useful life of self-built ground towers. Our operating profit increased by 15.9% from RMB4,108 million in the six months ended June 30, 2017 to RMB4,760 million in the six months ended June 30, 2018, primarily attributable to (i) an increase in tenants, and (ii) an increase in our tenancy ratio.

The foregoing unaudited financial information for the six months ended June 30, 2018 is derived from our unaudited interim condensed financial information for the six months ended June 30, 2018. The Company is responsible for the preparation of its unaudited interim condensed financial information for the six months ended June 30, 2018 in accordance with International Accounting Standard 34 "Interim Financial Reporting." Our unaudited interim condensed financial information for the six months ended June 30, 2018 has been reviewed by our Reporting Accountant in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board. Our results for the six months ended June 30, 2018 may not reflect the fiscal year result for the year ending December 31, 2018. We strongly caution you not to place undue reliance on such information when considering investing in our H Shares.

Pricing Adjustment

In early 2018, after negotiations on arm's length basis, we entered into a Supplemental Agreement to the Commercial Pricing Agreement with each of the China Mobile Company, China Unicom Corporation and China Telecom to amend certain pricing terms of the previous Commercial Pricing Agreements. The key amendments are the reduction of cost margin and increase of co-location discount rates for tower business. The Supplemental Agreements to the Commercial Pricing Agreements have a term of five years and expire on December 31, 2022. Should the above pricing term changes were made for the whole year of 2017, with other terms remaining unchanged, the operating revenue of our tower business would have decreased from RMB67,085 million to RMB62,986 million for the year ended December 31, 2017. See Note 6 of "*Appendix I — Accountant's Report*."

Change of Estimated Useful Life of Self-built Ground Towers

Taking into account the technological improvement, such as the 5G standard implementation, the favorable government policies related to site protection as well as quality and features of the towers, the estimated useful life of self-built ground towers (excluding the towers acquired in the Tower Asset Acquisitions) was adjusted from ten years to 20 years, starting from January 1, 2018. We accounted for this change of accounting estimates prospectively. Should the above estimated useful life of self-built ground towers were changed since January 1, 2017, the depreciation expenses of our self-built ground towers would have decreased from RMB3,878 million to RMB1,865 million for the year ended December 31, 2017. See Note 2.1.3 of "*Appendix I — Accountant's Report.*"

Our depreciation and amortization increased from RMB7,843 million in the three months ended March 31, 2017, to RMB8,041 million in the three months ended March 31, 2018, which was partially offset by a decrease in the depreciation of towers and ancillary facilities. Specifically, our depreciation expenses of self-built ground towers decreased by RMB594 million for the three months ended March 31, 2018 due to the change of the estimated useful life of self-built ground towers.

Illustrative Financial Information for 2017

Based on the adjusted pricing and changes of estimated useful lives of self-built ground towers, assuming all other terms remaining unchanged, we calculated certain important illustrative financial data for 2017 for illustration purposes. Such information is aimed to assist better evaluation of the impact of pricing and depreciation on our financial performance. These measures are not prepared under the IFRSs, and are based on several assumptions, thus you should not regard it as an independent analysis or an alternative to analysis of the results of operations based on IFRSs. In any event, you should consider carefully the importance placed on such information.

The following table sets out some historical financial information and the illustrative financial information for the year indicated:

	Year Ended December 31, 2017	
	Historical financials	Illustrative financials
		(Unaudited)
	(RMB million)	
Operating revenue(1)	68,665	64,566
Tower business	67,085	62,986
Operating expenses(2)	(60,950)	(58,937)
Depreciation and amortization	(32,642)	(30,629)
Depreciation of self-built ground towers	(3,878)	(1,865)
Depreciation and amortization of other assets	(28,764)	(28,764)
Operating profits(3)	7,715	5,629
Profit before taxation(4)	2,685	599
Income tax expenses(5)	(742)	(150)
Profit for the year(6)	1,943	449
EBITDA(7)	40,357	36,258

Notes:

(1) Illustrative operating revenue is only affected by the adjusted pricing formula to tower business. We calculated the illustrative revenue from tower business based on the adjusted pricing formula, assuming other terms affecting our tower business in 2017 unchanged. Illustrative operating revenue is calculated by combining the illustrative revenue from tower business with revenue from non-tower business.

In early 2018, after negotiations on arm's length basis, we entered into a Supplemental Agreement to the Commercial Pricing Agreement with each of the China Mobile Company, China Unicom Corporation and China Telecom to amend certain pricing terms of the previous Commercial Pricing Agreements. The key amendments are the reduction of cost margin and increase of co-location discount rates for tower business. The Supplemental Agreements to the Commercial Pricing Agreements have a term of five years and expire on December 31, 2022. Should the above pricing term changes were made for the whole year of 2017, with other terms remaining unchanged, the operating revenue of our tower business for 2017 would have been RMB4,099 million lower.

(2) We calculated the illustrative depreciation expense of self-built ground towers, which is a component of illustrative operating expenses, under the assumption that the adjusted estimated useful life for self-built ground towers had been changed since January 1, 2017, and accounted for this change prospectively. The illustrative operating expenses comprise the illustrative depreciation expense for self-built ground towers, plus historical depreciation and amortization expenses (other than those for self-built ground towers), historical site operating lease charges, repairs and maintenance, employee benefits and expenses, and other operating expenses.

Taking into account the technological improvement, such as the 5G standard implementation, the favorable government policies related to site protection as well as quality and features of the towers, the estimated useful life of self-built ground towers (excluding the towers acquired in the Tower Asset Acquisitions) was adjusted from ten years to 20 years, starting from January 1, 2018. We accounted for this change of accounting estimates prospectively. Should the above estimated useful life of self-built ground towers were changed since January 1, 2017, the depreciation expenses of our self-built ground towers for 2017 would have been RMB2,013 million lower.

(3) Illustrative operating profits are calculated by subtracting illustrative operating expenses from illustrative operating revenue.

(4) Illustrative profit before taxation is the sum of illustrative operating profits and the historical figures of other gains, interest income and financial costs for 2017.

(5) Illustrative income tax expenses are calculated by using illustrative profit before taxation and the statutory rate of 25%.

(6) Illustrative profit for the year is calculated by subtracting illustrative income tax expenses from illustrative profit before taxation.

(7) Illustrative EBITDA is illustrative operating profits with illustrative depreciation and amortization added back. EBITDA is not an IFRSs measure, see " — *Non-IFRSs Financial Measures*."

The adjusted pricing and change of estimated useful life of self-built ground towers, together with demand and market condition, site co-location, capital expenditures and access to and cost of financing, are expected to affect our results of operations and financial condition for the year ending December 31, 2018.

Save as disclosed above, the Directors have confirmed that, since March 31, 2018, being the date of the latest audited financial statements of the Company, and up to the date of this prospectus, there has been no material and adverse change in our financial or trading position, and there has been no event which could materially affect the information set out in "*Appendix I — Accountant's Report.*"

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements with cornerstone investors (the "**Cornerstone Investors**", and each a "**Cornerstone Investor**"), pursuant to which the Cornerstone Investors have agreed to subscribe, or cause their designated entities to subscribe, at the Offer Price for certain number of our Offer Shares (the "**Cornerstone Placing**").

Based on the Offer Price of HK$1.26 per Offer Share, being the low-end of the range of the Offer Price set out in this prospectus, the total number of H Shares to be subscribed for by the Cornerstone Investors would be 8,866,994,000, representing, assuming that the Over-allotment Option is not exercised, approximately (i) 20.6% of the H Shares in issue upon completion of the Global Offering; and (ii) 5.1% of the Shares in issue upon completion of the Global Offering.

Based on the Offer Price of HK$1.42 per Offer Share, being the mid-point of the range of the Offer Price set out in this prospectus, the total number of H Shares to be subscribed for by the Cornerstone Investors would be 7,867,894,000, representing, assuming that the Over-allotment Option is not exercised, approximately (i) 18.2% of the H Shares in issue upon completion of the Global Offering; and (ii) 4.6% of the Shares in issue upon completion of the Global Offering.

Based on the Offer Price of HK$1.58 per Offer Share, being the high-end of the range of the Offer Price set out in this prospectus, the total number of H Shares to be subscribed for by the Cornerstone Investors would be 7,071,142,000, representing, assuming that the Over-allotment Option is not exercised, approximately (i) 16.4% of the H Shares in issue upon completion of the Global Offering; and (ii) 4.1% of the Shares in issue upon completion of the Global Offering.

The Cornerstone Placing will form part of the International Offering and none of such Cornerstone Investors will subscribe for any Offer Share under the Global Offering (other than and pursuant to their respective cornerstone investment agreements). The Offer Shares to be subscribed for by the Cornerstone Investors will rank *pari passu* in all respects with the other fully paid H Shares in issue upon completion of the Global Offering and will be counted towards the public float of the Company. Immediately following the completion of the Global Offering, none of the Cornerstone Investors will have any board representation in the Company, nor will any of the Cornerstone Investors become a substantial shareholder of the Company (as defined under the Hong Kong Listing Rules). The Offer Shares to be subscribed for by the Cornerstone Investors will not be affected by any reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section headed "*Structure of the Global Offering—The Hong Kong Public Offering*" in this prospectus.

Each of the Cornerstone Investors is an Independent Third Party and independent of other Cornerstone Investors, not our connected person and not our existing shareholder or its close associates.

A Cornerstone Investor may obtain external financing including financing with certain Underwriter(s) or any of its/their affiliates to finance its subscription of H Shares, while no such arrangements have been reached as at the date of this prospectus. The loans, if obtained, will be on normal commercial terms after arm's length negotiations, and none of the Offer Shares to be subscribed for by any Cornerstone Investor seeking such external financing shall be pledged or charged to any third party including the relevant Underwriter(s) or its/their affiliates as security for the financing.

Details of the allocations to the Cornerstone Investors will be disclosed in the announcement of the allotment results of the Company to be published on or around August 7, 2018.

CORNERSTONE INVESTORS

We have entered into cornerstone investment agreements with each of the following Cornerstone Investors:

The calculations in this section, which are, if applicable, based on the translation from U.S. dollars from Hong Kong dollars at the rate of HK$7.8486 to US$1.00, the exchange rate as set forth in the H.10 weekly statistical release of the Board of Governors of the Federal Reserve System of the United States on July 13, 2018, are only for illustrative purpose. The final amounts of H Shares to be subscribed by the Cornerstone Investors are subject to the exchange rate to be determined in accordance with the relevant cornerstone investment agreements.

				Based on the Offer Price of HK$1.26, being the low-end of the range of the Offer Price					
				Approximate percentage of the Shares in issue immediately following the completion of the Global Offering		Approximate percentage of the H Shares in issue immediately following the completion of the Global Offering		Approximate percentage of the H Shares to be offered in the International Offering (assuming no reallocation)	
Cornerstone Investor	Investment Amount	Hong Kong Dollar Equivalent	Number of H Shares to be Subscribed	Assuming that the Over-allotment Option is not exercised	Assuming that the Over-Allotment Option is fully exercised	Assuming that the Over-allotment Option is not exercised	Assuming that the Over-allotment Option is fully exercised	Assuming that the Over-allotment Option is not exercised	Assuming that the Over-allotment Option is fully exercised
Hillhouse Funds (as defined below)	US$400,000,000	HK$3,139,440,000	2,491,618,000	1.4%	1.4%	5.8%	5.0%	6.1%	5.3%
OZ Funds (as defined below)	US$300,000,000	HK$2,354,580,000	1,868,714,000	1.1%	1.0%	4.3%	3.8%	4.6%	3.9%
Darsana Master Fund LP	US$175,000,000	HK$1,373,505,000	1,090,082,000	0.6%	0.6%	2.5%	2.2%	2.7%	2.3%
Taobao China Holding Limited (淘寶中國控股有限公司)	HK$784,800,000	—	622,856,000	0.4%	0.3%	1.4%	1.3%	1.5%	1.3%
CNPC Capital Limited (中國石油集團資本有限責任公司)	US$100,000,000	HK$784,860,000	622,904,000	0.4%	0.3%	1.4%	1.3%	1.5%	1.3%
Invus Public Equities, L.P.	US$100,000,000	HK$784,860,000	622,904,000	0.4%	0.3%	1.4%	1.3%	1.5%	1.3%
Beijing Haidian District State-owned Capital Operation and Management Center (北京市海淀區國有資本經營管理中心)	US$98,500,000	HK$773,087,100	613,560,000	0.4%	0.3%	1.4%	1.2%	1.5%	1.3%
ICBC Asset Management Scheme Nominee (中國工商銀行股份有限公司-理財計劃代理人)	US$50,000,000	HK$392,430,000	311,452,000	0.2%	0.2%	0.7%	0.6%	0.8%	0.7%
Wallong (Hong Kong) Limited (華隆(香港)有限公司	US$50,000,000	HK$392,430,000	311,452,000	0.2%	0.2%	0.7%	0.6%	0.8%	0.7%
SAIC Motor HK Investment Limited (上海汽車香港投資有限公司)	US$50,000,000	HK$392,430,000	311,452,000	0.2%	0.2%	0.7%	0.6%	0.8%	0.7%

Cornerstone Investor	Investment Amount	Hong Kong Dollar Equivalent	Number of H Shares to be Subscribed	Based on the Offer Price of HK$1.42, being the mid-point of the range of the Offer Price					
				Approximate percentage of the Shares in issue immediately following the completion of the Global Offering		Approximate percentage of the H Shares in issue immediately following the completion of the Global Offering		Approximate percentage of the H Shares to be offered in the International Offering (assuming no relocation)	
				Assuming that the Over-allotment Option is not exercised	Assuming that the Over-Allotment Option is fully exercised	Assuming that the Over-allotment Option is not exercised	Assuming that the Over-allotment Option is fully exercised	Assuming that the Over-allotment Option is not exercised	Assuming that the Over-allotment Option is fully exercised
Hillhouse Funds (as defined below)	US$400,000,000	HK$3,139,440,000	2,210,872,000	1.3%	1.2%	5.1%	4.5%	5.4%	4.7%
OZ Funds (as defined below)	US$300,000,000	HK$2,354,580,000	1,658,154,000	1.0%	0.9%	3.8%	3.3%	4.0%	3.5%
Darsana Master Fund LP	US$175,000,000	HK$1,373,505,000	967,256,000	0.6%	0.5%	2.2%	2.0%	2.4%	2.0%
Taobao China Holding Limited (淘寶中國控股有限公司)	HK$784,800,000	—	552,676,000	0.3%	0.3%	1.3%	1.1%	1.3%	1.2%
CNPC Capital Limited (中國石油集團資本有限責任公司)	US$100,000,000	HK$784,860,000	552,718,000	0.3%	0.3%	1.3%	1.1%	1.3%	1.2%
Invus Public Equities, L.P.	US$100,000,000	HK$784,860,000	552,718,000	0.3%	0.3%	1.3%	1.1%	1.3%	1.2%
Beijing Haidian District State-owned Capital Operation and Management Center (北京市海淀區國有資本經營管理中心)	US$98,500,000	HK$773,087,100	544,426,000	0.3%	0.3%	1.3%	1.1%	1.3%	1.1%
ICBC Asset Management Scheme Nominee (中國工商銀行股份有限公司-理財計劃代理人)	US$50,000,000	HK$392,430,000	276,358,000	0.2%	0.2%	0.6%	0.6%	0.7%	0.6%
Wallong (Hong Kong) Limited (華隆(香港)有限公司	US$50,000,000	HK$392,430,000	276,358,000	0.2%	0.2%	0.6%	0.6%	0.7%	0.6%
SAIC Motor HK Investment Limited (上海汽車香港投資有限公司)	US$50,000,000	HK$392,430,000	276,358,000	0.2%	0.2%	0.6%	0.6%	0.7%	0.6%

				Based on the Offer Price of HK$1.58, being the high-end of the range of the Offer Price					
				Approximate percentage of the Shares in issue immediately following the completion of the Global Offering		Approximate percentage of the H Shares in issue immediately following the completion of the Global Offering		Approximate percentage of the H Shares to be offered in the International Offering (assuming no relocation)	
Cornerstone Investor	Investment Amount	Hong Kong Dollar Equivalent	Number of H Shares to be Subscribed	Assuming that the Over-allotment Option is not exercised	Assuming that the Over-Allotment Option is fully exercised	Assuming that the Over-allotment Option is not exercised	Assuming that the Over-allotment Option is fully exercised	Assuming that the Over-allotment Option is not exercised	Assuming that the Over-allotment Option is fully exercised
Hillhouse Funds (as defined below)	US$400,000,000	HK$3,139,440,000	1,986,986,000	1.2%	1.1%	4.6%	4.0%	4.9%	4.2%
OZ Funds (as defined below)	US$300,000,000	HK$2,354,580,000	1,490,240,000	0.9%	0.8%	3.5%	3.0%	3.6%	3.1%
Darsana Master Fund LP	US$175,000,000	HK$1,373,505,000	869,306,000	0.5%	0.5%	2.0%	1.8%	2.1%	1.8%
Taobao China Holding Limited (淘寶中國控股有限公司)	HK$784,800,000	—	496,708,000	0.3%	0.3%	1.2%	1.0%	1.2%	1.0%
CNPC Capital Limited (中國石油集團資本有限責任公司)	US$100,000,000	HK$784,860,000	496,746,000	0.3%	0.3%	1.2%	1.0%	1.2%	1.0%
Invus Public Equities, L.P.	US$100,000,000	HK$784,860,000	496,746,000	0.3%	0.3%	1.2%	1.0%	1.2%	1.0%
Beijing Haidian District State-owned Capital Operation and Management Center (北京市海淀區國有資本經營管理中心)	US$98,500,000	HK$773,087,100	489,294,000	0.3%	0.3%	1.1%	1.0%	1.2%	1.0%
ICBC Asset Management Scheme Nominee (中國工商銀行股份有限公司-理財計劃代理人)	US$50,000,000	HK$392,430,000	248,372,000	0.1%	0.1%	0.6%	0.5%	0.6%	0.5%
Wallong (Hong Kong) Limited (華隆(香港)有限公司	US$50,000,000	HK$392,430,000	248,372,000	0.1%	0.1%	0.6%	0.5%	0.6%	0.5%
SAIC Motor HK Investment Limited (上海汽車香港投資有限公司)	US$50,000,000	HK$392,430,000	248,372,000	0.1%	0.1%	0.6%	0.5%	0.6%	0.5%

We set out below a brief description of our Cornerstone Investors.

Hillhouse Funds

Gaoling Fund, L.P. ("**Gaoling**") and YHG Investment, L.P. ("**YHG**", and together with Gaoling, the "**Hillhouse Funds**") have agreed to subscribe for such number of the Offer Shares (rounded down to the nearest whole board lot of 2000 H Shares) which may be purchased with an aggregate amount of US$400,000,000 at the Offer Price. Based on the Offer Price of HK$1.26 per Offer Share, being the low-end of the range of the Offer Price set out in this prospectus, Hillhouse Funds will subscribe for 2,491,618,000 H Shares, representing, assuming that the Over-allotment Option is not exercised, approximately (i) 5.8% of the H Shares in issue upon the completion of the Global Offering, and (ii) 1.4% of the Shares in issue upon the completion of the Global Offering. Based on the Offer Price of HK$1.42 per Offer Share, being the mid-point of the range of the Offer Price set out in this prospectus, Hillhouse Funds will subscribe for 2,210,872,000 H Shares, representing, assuming that the Over-allotment Option is not exercised, approximately (i) 5.1% of the H Shares in issue upon the completion of the Global Offering, and (ii) 1.3% of the Shares in issue upon the completion of the Global Offering. Based on the Offer Price of HK$1.58 per Offer Share, being the high-end of the range of the Offer Price set out in this prospectus, Hillhouse Funds will subscribe for 1,986,986,000 H Shares, representing, assuming that the Over-allotment Option is not exercised, approximately (i) 4.6% of the H Shares in issue upon the completion of the Global Offering, and (ii) 1.2% of the Shares in issue upon the completion of the Global Offering.

The Hillhouse Funds are limited partnerships formed under the laws of the Cayman Islands. Hillhouse Capital Management, Ltd. ("**Hillhouse Capital**") serves as the sole investment manager of Gaoling and the sole general partner of YHG.

Founded in 2005, Hillhouse Capital is a global firm of investment professionals and operating executives who are focused on building and investing in high quality business franchises that achieve sustainable growth. Independent proprietary research and industry expertise, in conjunction with world-class operating and management capabilities, are key to Hillhouse Capital's investment approach. Hillhouse Capital partners with exceptional entrepreneurs and management teams to create value, often with a focus on enacting innovation and technological transformation. Hillhouse Capital invests in the healthcare, consumer, TMT, advanced manufacturing, financial and business services sectors in companies across all equity stages. Hillhouse Capital and its group members manage more than US$50 billion in assets on behalf of institutional clients such as university endowments, foundations, sovereign wealth funds, and family offices.

OZ Funds

OZ Master Fund, Ltd., OZ ELS Master Fund, Ltd., and OZ Enhanced Master Fund, Ltd., each managed by an affiliate of Och-Ziff Capital Management Group, LLC (collectively, "**OZ Funds**") have agreed to subscribe for such number of the Offer Shares (rounded down to the nearest whole board lot of 2000 H Shares) which may be purchased with an aggregate amount of US$300,000,000 at the Offer Price. Based on the Offer Price of HK$1.26 per Offer Share, being the low-end of the range of the Offer Price set out in this prospectus, OZ Funds will subscribe for 1,868,714,000 H Shares, representing, assuming that the Over-allotment Option is not exercised, approximately (i)

4.3% of the H Shares in issue upon the completion of the Global Offering, and (ii) 1.1% of the Shares in issue upon the completion of the Global Offering. Based on the Offer Price of HK$1.42 per Offer Share, being the mid-point of the range of the Offer Price set out in this prospectus, OZ Funds will subscribe for 1,658,154,000 H Shares, representing, assuming that the Over-allotment Option is not exercised, approximately (i) 3.8% of the H Shares in issue upon the completion of the Global Offering, and (ii) 1.0% of the Shares in issue upon the completion of the Global Offering. Based on the Offer Price of HK$1.58 per Offer Share, being the high-end of the range of the Offer Price set out in this prospectus, OZ Funds will subscribe for 1,490,240,000 H Shares, representing, assuming that the Over-allotment Option is not exercised, approximately (i) 3.5% of the H Shares in issue upon the completion of the Global Offering, and (ii) 0.9% of the Shares in issue upon the completion of the Global Offering.

Each of the OZ Funds is incorporated in the Cayman Islands. The investment manager of each of the OZ Funds is OZ Management LP or OZ Management II LP (as the case may be), affiliates of Och-Ziff Capital Management Group, LLC.

Darsana Master Fund LP ("Darsana")

Darsana has agreed to subscribe for such number of the Offer Shares (rounded down to the nearest whole board lot of 2000 H Shares) which may be purchased with an aggregate amount of US$175,000,000 at the Offer Price. Based on the Offer Price of HK$1.26 per Offer Share, being the low-end of the range of the Offer Price set out in this prospectus, Darsana will subscribe for 1,090,082,000 H Shares, representing, assuming that the Over-allotment Option is not exercised, approximately (i) 2.5% of the H Shares in issue upon the completion of the Global Offering, and (ii) 0.6% of the Shares in issue upon the completion of the Global Offering. Based on the Offer Price of HK$1.42 per Offer Share, being the mid-point of the range of the Offer Price set out in this prospectus, Darsana will subscribe for 967,256,000 H Shares, representing, assuming that the Over-allotment Option is not exercised, approximately (i) 2.2% of the H Shares in issue upon the completion of the Global Offering, and (ii) 0.6% of the Shares in issue upon the completion of the Global Offering. Based on the Offer Price of HK$1.58 per Offer Share, being the high-end of the range of the Offer Price set out in this prospectus, Darsana will subscribe for 869,306,000 H Shares, representing, assuming that the Over-allotment Option is not exercised, approximately (i) 2.0% of the H Shares in issue upon the completion of the Global Offering, and (ii) 0.5% of the Shares in issue upon the completion of the Global Offering.

Darsana is a Cayman Islands exempted limited partnership and is a private investment fund. The investment manager of the fund is Darsana Capital Partners LP, a Delaware, U.S.A. limited partnership. Darsana Capital GP LLC, a Delaware, U.S.A. limited liability company, is an affiliate of the investment manager and serves as the general partner to the Fund.

Taobao China Holding Limited (淘寶中國控股有限公司) ("Taobao China")

Taobao China has agreed to subscribe for such number of the Offer Shares (rounded down to the nearest whole board lot of 2000 H Shares) which may be purchased with an aggregate amount of HK$784,800,000 at the Offer Price. Based on the Offer Price of HK$1.26 per Offer Share, being the low-end of the range of the Offer Price set out in this prospectus, Taobao China will subscribe for

622,856,000 H Shares, representing, assuming that the Over-allotment Option is not exercised, approximately (i) 1.4% of the H Shares in issue upon the completion of the Global Offering, and (ii) 0.4% of the Shares in issue upon the completion of the Global Offering. Based on the Offer Price of HK$1.42 per Offer Share, being the mid-point of the range of the Offer Price set out in this prospectus, Taobao China will subscribe for 552,676,000 H Shares, representing, assuming that the Over-allotment Option is not exercised, approximately (i) 1.3% of the H Shares in issue upon the completion of the Global Offering, and (ii) 0.3% of the Shares in issue upon the completion of the Global Offering. Based on the Offer Price of HK$1.58 per Offer Share, being the high-end of the range of the Offer Price set out in this prospectus, Taobao China will subscribe for 496,708,000 H Shares, representing, assuming that the Over-allotment Option is not exercised, approximately (i) 1.2% of the H Shares in issue upon the completion of the Global Offering, and (ii) 0.3% of the Shares in issue upon the completion of the Global Offering.

Taobao China is a company incorporated in Hong Kong with limited liability, and is an indirect wholly-owned subsidiary of Alibaba Group Holding Limited. It is the holding company for certain subsidiaries relating to Taobao Marketplace. Alibaba Group Holding Limited is a company incorporated in the Cayman Islands, the American depositary shares of which are listed on the New York Stock Exchange.

CNPC Capital Limited (中國石油集團資本有限責任公司) ("CNPC Capital Limited")

CNPC Capital Limited has agreed to subscribe for such number of the Offer Shares (rounded down to the nearest whole board lot of 2000 H Shares) which may be purchased with an aggregate amount of US$100,000,000 at the Offer Price. Based on the Offer Price of HK$1.26 per Offer Share, being the low-end of the range of the Offer Price set out in this prospectus, CNPC Capital Limited will subscribe for 622,904,000 H Shares, representing, assuming that the Over-allotment Option is not exercised, approximately (i) 1.4% of the H Shares in issue upon the completion of the Global Offering, and (ii) 0.4% of the Shares in issue upon the completion of the Global Offering. Based on the Offer Price of HK$1.42 per Offer Share, being the mid-point of the range of the Offer Price set out in this prospectus, CNPC Capital Limited will subscribe for 552,718,000 H Shares, representing, assuming that the Over-allotment Option is not exercised, approximately (i) 1.3% of the H Shares in issue upon the completion of the Global Offering, and (ii) 0.3% of the Shares in issue upon the completion of the Global Offering. Based on the Offer Price of HK$1.58 per Offer Share, being the high-end of the range of the Offer Price set out in this prospectus, CNPC Capital Limited will subscribe for 496,746,000 H Shares, representing, assuming that the Over-allotment Option is not exercised, approximately (i) 1.2% of the H Shares in issue upon the completion of the Global Offering, and (ii) 0.3% of the Shares in issue upon the completion of the Global Offering.

CNPC Capital Company Limited (中國石油集團資本股份有限公司) ("**CNPC Capital**") is a company specialized in the management of financial business of China National Petroleum Corporation (中國石油天然氣集團有限公司). Its business scope covers various financial business, such as finance company, bank, financial leasing, trust, insurance, insurance brokerage, securities and credit enhancement. In early 2017, CNPC Capital was listed on the Shenzhen Stock Exchange and became a listed central state-owned financial company with relatively comprehensive financial licenses in China's capital market. CNPC Capital Limited is a wholly-owned subsidiary of CNPC Capital.

Invus Public Equities, L.P.

Invus Public Equities, L.P. has agreed to subscribe for such number of the Offer Shares (rounded down to the nearest whole board lot of 2000 H Shares) which may be purchased with an aggregate amount of US$100,000,000 at the Offer Price. Based on the Offer Price of HK$1.26 per Offer Share, being the low-end of the range of the Offer Price set out in this prospectus, Invus Public Equities, L.P. will subscribe for 622,904,000 H Shares, representing, assuming that the Over-allotment Option is not exercised, approximately (i) 1.4% of the H Shares in issue upon the completion of the Global Offering, and (ii) 0.4% of the Shares in issue upon the completion of the Global Offering. Based on the Offer Price of HK$1.42 per Offer Share, being the mid-point of the range of the Offer Price set out in this prospectus, Invus Public Equities, L.P. will subscribe for 552,718,000 H Shares, representing, assuming that the Over-allotment Option is not exercised, approximately (i) 1.3% of the H Shares in issue upon the completion of the Global Offering, and (ii) 0.3% of the Shares in issue upon the completion of the Global Offering. Based on the Offer Price of HK$1.58 per Offer Share, being the high-end of the range of the Offer Price set out in this prospectus, Invus Public Equities, L.P. will subscribe for 496,746,000 H Shares, representing, assuming that the Over-allotment Option is not exercised, approximately (i) 1.2% of the H Shares in issue upon the completion of the Global Offering, and (ii) 0.3% of the Shares in issue upon the completion of the Global Offering.

The general partner of Invus Public Equities, L.P. is Invus Public Equities Advisors, LLC, a United States limited liability company. Artal International S.C.A., a Luxembourg limited partnership, is the managing member of Invus Public Equities Advisors, LLC. The managing partner of Artal International S.C.A. is Artal International Management S.A., a Luxembourg société anonyme, both of which are wholly owned subsidiaries of Artal Group S.A., a Luxembourg société anonyme, which is a wholly owned subsidiary of Westend S.A., a Luxembourg société anonyme, which is a wholly owned subsidiary of Stichting Administratiekantoor Westend, a Netherlands foundation. Mr. Pascal Minne, a citizen of Belgium, is the sole member of the board of Stichting Administratiekantoor Westend.

The investment advisor to Invus Public Equities, L.P. is The Invus Group, LLC and its related companies ("**Invus**"). Invus is a global investment firm with principal offices in New York, Paris and Hong Kong whose source of capital since its founding in 1985 has been a European family group. The exceptional returns from Invus' evergreen investment strategy have allowed a modest initial pool of capital to grow to over $8 billion even after having distributed billions to shareholders. Invus doesn't raise any outside funds and focuses all its energy on value creation. On the private side, Invus mostly takes majority control positions in companies that have ambitious transformational strategies but also makes minority investments in high-growth companies where it can add real strategic value through its partnership with owner-managers. On the public side, Invus takes significant long-only, long-term positions in companies whose fundamentals and management it believes in. The average holding period in the public equity portfolio is not measured in weeks or months but years.

Beijing Haidian District State-owned Capital Operation and Management Center (北京市海淀區國有資本經營管理中心) ("Haidian SCOMC")

Haidian SCOMC has agreed to subscribe for such number of the Offer Shares (rounded down to the nearest whole board lot of 2000 H Shares) which may be purchased with an aggregate amount of US$98,500,000 at the Offer Price. Based on the Offer Price of HK$1.26 per Offer Share, being the low-end of the range of the Offer Price set out in this prospectus, Haidian SCOMC will subscribe for 613,560,000 H Shares, representing, assuming that the Over-allotment Option is not exercised, approximately (i) 1.4% of the H Shares in issue upon the completion of the Global Offering, and (ii) 0.4% of the Shares in issue upon the completion of the Global Offering. Based on the Offer Price of HK$1.42 per Offer Share, being the mid-point of the range of the Offer Price set out in this prospectus, Haidian SCOMC will subscribe for 544,426,000 H Shares, representing, assuming that the Over-allotment Option is not exercised, approximately (i) 1.3% of the H Shares in issue upon the completion of the Global Offering, and (ii) 0.3% of the Shares in issue upon the completion of the Global Offering. Based on the Offer Price of HK$1.58 per Offer Share, being the high-end of the range of the Offer Price set out in this prospectus, Haidian SCOMC will subscribe for 489,294,000 H Shares, representing, assuming that the Over-allotment Option is not exercised, approximately (i) 1.1% of the H Shares in issue upon the completion of the Global Offering, and (ii) 0.3% of the Shares in issue upon the completion of the Global Offering.

Haidian SCOMC, incorporated in Haidian District, Beijing, is a wholly-owned subsidiary of the State-owned Assets Supervision and Administration Commission of People's Government of Haidian District, Beijing, whose main business is investment and investment management and asset management. Our headquarters and registered office are also situated in Haidian District, Beijing.

ICBC Asset Management Scheme Nominee (中國工商銀行股份有限公司-理財計劃代理人) ("ICBC AM")

ICBC AM has agreed to subscribe for such number of the Offer Shares (rounded down to the nearest whole board lot of 2000 H Shares) which may be purchased with an aggregate amount of US$50,000,000 at the Offer Price. Based on the Offer Price of HK$1.26 per Offer Share, being the low-end of the range of the Offer Price set out in this prospectus, ICBC AM will subscribe for 311,452,000 H Shares, representing, assuming that the Over-allotment Option is not exercised, approximately (i) 0.7% of the H Shares in issue upon the completion of the Global Offering, and (ii) 0.2% of the Shares in issue upon the completion of the Global Offering. Based on the Offer Price of HK$1.42 per Offer Share, being the mid-point of the range of the Offer Price set out in this prospectus, ICBC AM will subscribe for 276,358,000 H Shares, representing, assuming that the Over-allotment Option is not exercised, approximately (i) 0.6% of the H Shares in issue upon the completion of the Global Offering, and (ii) 0.2% of the Shares in issue upon the completion of the Global Offering. Based on the Offer Price of HK$1.58 per Offer Share, being the high-end of the range of the Offer Price set out in this prospectus, ICBC AM will subscribe for 248,372,000 H Shares, representing, assuming that the Over-allotment Option is not exercised, approximately (i) 0.6% of the H Shares in issue upon the completion of the Global Offering, and (ii) 0.1% of the Shares in issue upon the completion of the Global Offering.

ICBC AM is the asset management arm of Industrial and Commercial Bank of China Limited, the parent company of ICBC International Capital Limited ("**ICBCI Capital**") and ICBC International Securities Limited ("**ICBCI Securities**"). ICBC AM offers comprehensive asset management services to different types of clients, including individuals, corporate clients, private banking clients and institutions in the PRC.

ICBC AM is a connected client of ICBCI Capital and ICBCI Securities. ICBCI Capital has been appointed by the Company as one of the Joint Bookrunners of the Global Offering, while ICBCI Securities has been appointed by the Company as one of the Joint Lead Managers and Underwriters of the Global Offering.

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted to us, its consent under paragraph 5(1) of Appendix 6 to the Hong Kong Listing Rules to permit ICBC AM to participate in the Global Offering as a cornerstone investor subject to certain conditions. See "*Waivers and Consent under the Hong Kong Listing Rules — Proposed H Share Subscription by ICBC AM*" for details.

Wallong (Hong Kong) Limited (華隆(香港)有限公司) ("Wallong")

China National Machinery Industry Corporation (中國機械工業集團有限公司) ("**SINOMACH**"), has agreed to, through its wholly-owned subsidiary, Wallong, subscribe for such number of the Offer Shares (rounded down to the nearest whole board lot of 2000 H Shares) which may be purchased with an aggregate amount of US$50,000,000 at the Offer Price. Based on the Offer Price of HK$1.26 per Offer Share, being the low-end of the range of the Offer Price set out in this prospectus, Wallong will subscribe for 311,452,000 H Shares, representing, assuming that the Over-allotment Option is not exercised, approximately (i) 0.7% of the H Shares in issue upon the completion of the Global Offering, and (ii) 0.2% of the Shares in issue upon the completion of the Global Offering. Based on the Offer Price of HK$1.42 per Offer Share, being the mid-point of the range of the Offer Price set out in this prospectus, Wallong will subscribe for 276,358,000 H Shares, representing, assuming that the Over-allotment Option is not exercised, approximately (i) 0.6% of the H Shares in issue upon the completion of the Global Offering, and (ii) 0.2% of the Shares in issue upon the completion of the Global Offering. Based on the Offer Price of HK$1.58 per Offer Share, being the high-end of the range of the Offer Price set out in this prospectus, Wallong will subscribe for 248,372,000 H Shares, representing, assuming that the Over-allotment Option is not exercised, approximately (i) 0.6% of the H Shares in issue upon the completion of the Global Offering, and (ii) 0.1% of the Shares in issue upon the completion of the Global Offering.

Wallong is a company incorporated in Hong Kong and a wholly owned subsidiary of SINOMACH, a PRC state-owned enterprise established in May 1988. SINOMACH is a Global 500 enterprise. SINOMACH has the largest scale, widest diversification, most comprehensive lines of business, and the strongest R&D capabilities in the PRC machinery industry. SINOMACH devotes to two major industry areas, namely machinery manufacturing and manufacturing service industries, and focuses on developing three primary businesses including R&D and manufacturing of machinery, project contracting, and trade and services. It has service presence in a wide range of key national economic sectors, including industries, agriculture, transportation, energy, construction, light industries, automobile, ship-building, mining, metallurgy and aerospace industries. SINOMACH offers professional services to over 140 countries and regions around the world.

SINOMACH boasts a strong capacity in resource integration and utilization. Combining its profound R&D capabilities, extensive global marketing networks, strong financial strength, and project financing capabilities, SINOMACH has developed a comprehensive industrial chain that covers areas such as design, R&D, manufacturing, project contracting, system integration and international trade, and has unique business values and competitive market advantages.

SAIC Motor HK Investment Limited (上海汽車香港投資有限公司) ("SAIC HK")

SAIC HK has agreed to subscribe for such number of the Offer Shares (rounded down to the nearest whole board lot of 2000 H Shares) which may be purchased with an aggregate amount of US$50,000,000 at the Offer Price. Based on the Offer Price of HK$1.26 per Offer Share, being the low-end of the range of the Offer Price set out in this prospectus, SAIC HK will subscribe for 311,452,000 H Shares, representing, assuming that the Over-allotment Option is not exercised, approximately (i) 0.7% of the H Shares in issue upon the completion of the Global Offering, and (ii) 0.2% of the Shares in issue upon the completion of the Global Offering. Based on the Offer Price of HK$1.42 per Offer Share, being the mid-point of the range of the Offer Price set out in this prospectus, SAIC HK will subscribe for 276,358,000 H Shares, representing, assuming that the Over-allotment Option is not exercised, approximately (i) 0.6% of the H Shares in issue upon the completion of the Global Offering, and (ii) 0.2% of the Shares in issue upon the completion of the Global Offering. Based on the Offer Price of HK$1.58 per Offer Share, being the high-end of the range of the Offer Price set out in this prospectus, SAIC HK will subscribe for 248,372,000 H Shares, representing, assuming that the Over-allotment Option is not exercised, approximately (i) 0.6% of the H Shares in issue upon the completion of the Global Offering, and (ii) 0.1% of the Shares in issue upon the completion of the Global Offering.

SAIC HK is a limited company incorporated in Hong Kong on June 26, 2009 and a wholly-owned subsidiary of SAIC Motor Corporation Limited (上海汽車集團股份有限公司) ("**SAIC Motor**"). SAIC HK is the overseas investment and financing platform of SAIC Motor and mainly conducts SAIC Motor's overseas investment activities.

SAIC Motor is the largest auto company on China's A-share market. Currently SAIC Motor's main business covers the research and development, production and sales of vehicles and auto parts; auto-related services such as logistics, e-commerce, travel, energy saving and charging service; auto-related finance, insurance and investment services; overseas business and international trade; and development in the area of industrial big data and artificial intelligence.

CONDITIONS PRECEDENT

The subscription of each Cornerstone Investor is subject to, among other things, the following conditions precedent:

(i) the underwriting agreements for the Hong Kong Public Offering and the International Offering being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in these underwriting agreements, and neither of the aforesaid underwriting agreements having been terminated;

(ii) the Offer Price having been agreed upon between the Company and the Joint Representatives (on behalf of the underwriters of the Global Offering);

(iii) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the H Shares (including the H Shares to be subscribed by the Cornerstone Investors) as well as other applicable waivers and approvals and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the H Shares on the Stock Exchange;

(iv) no laws shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or in the respective cornerstone investment agreement and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

(v) the respective representations, warranties, undertakings and confirmations of the Cornerstone Investors under the relevant cornerstone investment agreements are accurate and true in all material respects and not misleading and that there is no breach of the relevant cornerstone investment agreements on the part of the Cornerstone Investors.

RESTRICTIONS ON DISPOSALS BY THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed, covenanted with and undertaken to the Company, the Joint Representatives and/or the Joint Sponsors that, among other things, without the prior written consent of each of the Company, the Joint Representatives and/or the Joint Sponsors, the Investor will not, whether directly or indirectly, at any time during the period of six (6) months from the Listing Date (the "**Lock-up Period**"), directly or indirectly, dispose of, in any way, any H Shares to be subscribed by the Cornerstone Investors pursuant to the respective cornerstone investment agreement (the "**Relevant Shares**") or any interest in any company or entity holding any Relevant Shares; or enter into any transactions directly or indirectly with the same economic effect as any aforesaid transaction.

Cornerstone Investors (or certain of them) may transfer or enter into specific transactions in relation to the H Shares so subscribed for in certain limited circumstances as permitted in the relevant cornerstone investment agreement, such as transfer to a wholly owned subsidiary of such Cornerstone Investor, provided that prior to such transfer, such wholly owned subsidiary undertakes, and such Cornerstone Investor undertakes to procure, that such wholly owned subsidiary agrees to be bound by such Cornerstone Investor's obligations under the relevant cornerstone investment agreement and subject to the restrictions on disposals imposed on the Cornerstone Investor.

FUTURE PLANS

For a detailed description of our future plans, see "*Business — Business Strategies*."

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK$60,216.0 million (assuming an Offer Price of HK$1.42 per H share, being the mid-point of the Offer Price range stated in this prospectus) (equivalent to approximately RMB51,336.5 million), after deducting the underwriting commissions and estimated expenses payable by us in relation to the Global Offering, and assuming no exercise of the Over-allotment Option.

Our Directors intend to apply the net proceeds from the Global Offering for the following purposes:

- Approximately 60%, or HK$36,129.6 million, is expected to be used for funding the capital expenditures on the following activities:

  — approximately 51% to 54% is expected to be used on new site construction and augmentation. In connection with the construction of new tower and DAS sites, such net proceeds are intended to be primarily used on (i) procurement of towers, shelters or cabinets and ancillary facilities and construction, design and supervision services for the construction of new tower sites, and (ii) procurement of passive devices and leaky cables and construction design and supervision services for the construction of new DAS sites. We also intend to use such net proceeds to fund augmentation projects on our existing sites, primarily including height extension, foundation strengthening and extension of ground space, to accommodate additional tenants and host more equipment for the purpose of further enhancing the site co-location and utilization.

  — approximately 6% to 9% is expected to be used on ancillary facilities replacement and improvement. We intend to use such net proceeds to replace and improve the ancillary facilities of our sites, such as installation or change of smart FSUs, batteries and air conditioners.

  We incur capital expenditures primarily on (i) new site construction and augmentation, which were conducted to meet our customers' increasing demand; (ii) ancillary facilities replacement and improvement, which primarily include the replacement and improvement of obsolete ancillary facilities or addition of new facilities, such as installation or change of smart FSUs, sensors, batteries and air conditioners; (iii) tower and shelter maintenance; (iv) Tower Asset Acquisitions; and (v) other assets primarily including office buildings, vehicles and software. The net proceeds from the Global Offering are intended to be used for funding the new site construction and augmentation and ancillary facilities replacement and improvement, and will not be used to fund capital expenditures on other activities. The intended allocation of net proceeds from the Global Offering on capital expenditures is based on our capital expenditure plan, which was prepared mainly by consolidating the network build-out plans of TSPs and assessing their overall wireless communications coverage demands through a communication mechanism with them. Due to our demand-driven business model, the number and type of sites to be constructed or augmented are subject to continuous adjustments. See "*Industry Overview — Overview of the PRC Telecommunications Tower Infrastructure Industry — Capital expenditure plans in respect of the number and type of sites subject to demands from TSP customers.*"

The total amount of net proceeds from the Global Offering to be applied on capital expenditures is expected to be fully utilized by the end of 2019. In addition to use of the net proceeds from the Global Offering, we will continue to fund our capital expenditures through cash flows from operating activities, borrowings from banks and other financial institutions, and debt and equity financing;

- Approximately 30%, or HK$18,064.8 million, is expected to be used for repaying bank loans that have been used to fund for capital expenditures and working capital, with the annual interest rate of which ranges from 4.35% to 4.75%, maturing between 2018 and 2020; and

- Approximately 10%, or HK$6,021.6 million, is expected to be used for funding working capital and other general corporate purposes.

If the Offer Price is fixed at HK$1.58 per H Share, being the high end of the Offer Price range stated in this prospectus and assuming no exercise of the Over-allotment Option, the net proceeds will be increased by approximately HK$6,794.9 million. If the Offer Price is fixed at HK$1.26 per H Share, being the low end of the Offer Price range stated in this prospectus and assuming no exercise of the Over-allotment Option, the net proceeds will be reduced by approximately HK$6,794.9 million. To the extent our net proceeds are either more or less than expected, we will adjust our allocation of the net proceeds for the above purposes accordingly.

The additional net proceeds that we would receive if the Over-allotment Option were exercised in full would be (i) HK$10,064.9 million (assuming an Offer Price of HK$1.58 per H Share, being the high-end of the Offer Price range stated in this prospectus), (ii) HK$9,045.7 million (assuming an Offer Price of HK$1.42 per H Share, being the mid-point of the Offer Price range stated in this prospectus), (iii) HK$8,026.5 million (assuming an Offer Price of HK$1.26 per H Share, being the low-end of the Offer Price range stated in this prospectus).

Additional net proceeds received due to the exercise of any Over-allotment Option will be used for the above purpose accordingly on a pro rata basis in the event that the Over-allotment Option is exercised. If any part of our plan does not proceed as planned for reasons such as changes in government policies that would render any of our plans not viable, or the occurrence of force majeure events, our Directors will carefully evaluate the situation and may reallocate the net proceeds from the Global Offering. To the extent that the net proceeds of the Global Offering are not immediately used for the above purposes and to the extent permitted by the relevant laws and regulations, they will be placed in short-term demand deposits with banks in Hong Kong or the PRC and/or through money market instruments. We will issue an appropriate announcement if there is any material change to the above proposed use of proceeds.

HONG KONG UNDERWRITERS

China International Capital Corporation Hong Kong Securities Limited
Goldman Sachs (Asia) L.L.C.
Merrill Lynch (Asia Pacific) Limited
J.P. Morgan Securities (Asia Pacific) Limited
ABCI Securities Company Limited
BNP Paribas Securities (Asia) Limited
BOCI Asia Limited
CCB International Capital Limited
China Merchants Securities (HK) Co., Limited
China Securities (International) Corporate Finance Company Limited
CMB International Capital Limited
The Hongkong and Shanghai Banking Corporation Limited
ICBC International Securities Limited
Morgan Stanley Asia Limited
UBS AG Hong Kong Branch

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis on the terms and conditions set out in this prospectus, the Application Forms relating thereto and the Hong Kong Underwriting Agreement. The International Offering is expected to be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed between the Joint Representatives (on behalf of the Joint Bookrunners and the Underwriters) and us on or before Tuesday, August 7, 2018, the Global Offering will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 2,155,740,000 Hong Kong Offer Shares and the International Offering of initially 40,959,060,000 International Offer Shares, subject, in each case, to reallocation on the basis as described in the section headed "Structure of the Global Offering" in this prospectus as well as to the Over-allotment Option.

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we are offering Hong Kong Offer Shares for subscription by the public in Hong Kong in accordance with the terms and conditions of this prospectus and the Application Forms relating thereto.

Subject to (i) the Listing Committee granting listing of, and permission to deal in, the H Shares to be offered as mentioned in this prospectus pursuant to the Global Offering (including any additional H Shares that may be issued pursuant to the exercise of the Over-allotment Option) and (ii) certain other conditions set out in the Hong Kong Underwriting Agreement (including, among others, the Joint Representatives (on behalf of the Joint Bookrunners and the Underwriters) and us agreeing upon the Offer Price), the Hong Kong Underwriters have agreed severally and not jointly to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus and the Application Forms relating thereto and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, among others, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination. If at any time prior to 8:00 a.m. on the day that trading in the H Shares commences on the Hong Kong Stock Exchange:

A. there develops, occurs, exists or comes into force:

a. any new law or regulation or any change or development involving a prospective change in existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the PRC, Singapore, the United States, the United Kingdom, the European Union (or any member thereof) or Japan (each a "**Relevant Jurisdiction**"); or

b. any change or development involving a prospective change or development, or any event or series of events likely to result in or representing a change or development, or prospective change or development, in local, national, regional or international financial, political, military, industrial, economic, currency market, fiscal or regulatory or market conditions or any monetary or trading settlement system (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a change of the Hong Kong dollars or of the Renminbi against any foreign currencies) in or affecting any Relevant Jurisdiction; or

c. any event or series of events in the nature of force majeure (including, without limitation, acts of government, labour disputes, strikes, lock-outs, fire, explosion, earthquake, flooding, tsunami, civil commotion, riots, public disorder, acts of war, acts of terrorism (whether or not responsibility has been claimed), acts of God, accident or interruption in transportation, destruction of power plant, outbreak of diseases or epidemics including, but not limited to, SARS, swine or avian flu, H5N1, H1N1, H1N7, H7N9, Ebola virus, Middle East respiratory syndrome (MERS) and such related/mutated forms, economic sanction, in whatever form) in or directly or indirectly affecting any Relevant Jurisdiction; or

d. any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting any Relevant Jurisdiction; or

e. any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent Governmental Authority (as defined in the Hong Kong Underwriting Agreement)), New York (imposed at Federal or New York State level or other competent Governmental Authority), London, Singapore, the PRC, the European Union (or any member thereof), Japan or any Relevant Jurisdiction or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any Relevant Jurisdiction; or

f. any (A) change or prospective change in exchange controls, currency exchange rates or foreign investment regulations, or (B) any change or prospective change in taxation in any Relevant Jurisdiction adversely affecting an investment in the H Shares; or

g. the issue or requirement to issue by the Company of a supplemental or amendment to this prospectus, Application Forms, preliminary offering circular or offering circular in connection with the offer and sale of the H Shares pursuant to the Companies Ordinance or the Listing Rules or upon any requirement or request of the Hong Kong Stock Exchange or the SFC; or

h. any change or development involving a prospective change which has the effect of materialisation of any of the risks set out in the section headed "Risk Factors" in this prospectus; or

i. any litigation or claim having commenced, or being threatened or instigated against the Company or any executive Director; or

j. any contravention by the Company or any Director of the Companies Ordinance, the PRC Company Law or the Listing Rules; or

k. a Governmental Authority or a regulatory body or organisation in any Relevant Jurisdiction commencing any investigation or other action or proceedings, or announcing an intention to investigate or take other action or proceedings, against the Company or any Director; or

l. the chairman, the general manager or the chief accountant of the Company vacating his office; or

m. any petition being presented for the winding-up or liquidation of the Company, or the Company making any composition or arrangement with its creditors or entering into a scheme of arrangement or any resolution being passed for the winding-up of the Company or a provisional liquidator, receiver or manager being appointed over all or part of the assets or undertaking of the Company or anything analogous thereto occurs in respect of the Company; or

n. a prohibition on the Company for whatever reason from allotting, issuing or selling the H Shares (including the Over-allotment Option Shares) pursuant to the terms of the Global Offering; or

o. the imposition of sanctions, in whatever form, directly or indirectly, by, or for, any Relevant Jurisdiction on the Company; or

which, in any such case individually or in the aggregate, in the sole and absolute opinion of the Joint Representatives (on behalf of the Joint Bookrunners and the Hong Kong Underwriters: (A) is or will be or is likely to be materially adverse to, or materially and prejudicially affects, the assets, liabilities, business, management, shareholder's equity, profit, losses, results of operations, position or condition (financial or trading), or prospects of the Company; or (B) has or will have or is likely to have a Material Adverse Effect (as defined in the Hong Kong Underwriting Agreement) on the success of the Global Offering or the level of Offer Shares being applied for or accepted or subscribed for or purchased or the distribution of Offer Shares and/or has made or is likely to make it impracticable or inadvisable or incapable for any material part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offering or the Global Offering to be performed or implemented as envisaged; or (C) makes or will make it or is likely to make it impracticable or inadvisable or incapable to proceed with the Hong Kong Public Offering and/or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus, the Application Forms, the formal notice, or the final offering circular of the International Offering; or (D) would have or is likely to have the effect of making a material part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

B. there has come to the notice of the Joint Sponsors, the Joint Representatives, the Joint Bookrunners, or any of the Hong Kong Underwriters:

a. that any statement contained in the Offering Documents (as defined in the Hong Kong Underwriting Agreement) and/or any notices, announcements, advertisements, communications issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was or has become untrue, incomplete, incorrect in any material respect or misleading or any forecasts, estimate, expressions of opinion, intention or expectation expressed in the Hong Kong Public Offering Documents (as defined in the Hong Kong Underwriting Agreement) and/or any notices, announcements, advertisements, communications so issued or authorized by or on behalf of the Company in connection with the Global Offering (including any supplement or amendment thereto) are not fair and honest and made on reasonable grounds or, where appropriate, based on reasonable assumptions, when taken as a whole; or

b. any material non-compliance of this prospectus (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable law; or

c. any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, not having been disclosed in the Offering Documents, constitutes a material omission therefrom; or

d. either (i) there has been a breach of any of the representations, warranties, undertakings or provisions of either the Hong Kong Underwriting Agreement or the International Underwriting Agreement by the Company or (ii) any of the representations, warranties and undertakings given by the Company in the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable, is (or would when repeated be) untrue, incorrect, incomplete or misleading; or

e. any event, act or omission which gives or is likely to give rise to any liability of the Company pursuant to the indemnities given by then Company under the Hong Kong Underwriting Agreement if such liability has a Material Adverse Effect (as defined in the Hong Kong Underwriting Agreement); or

f. any experts named in this prospectus (other than the Joint Sponsors) has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters, summaries of valuations and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or

g. any material breach of any of the obligations of the Company under the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or

h. the investment commitments by any cornerstone investors after signing of agreements with such cornerstone investors have been withdrawn, terminated or cancelled; or

i. any material adverse change or prospective material adverse change in the assets, business management, shareholder's equity, profits, losses, properties, results of operations, position or condition (financial or trading) or prospects of the Company; or

j. the approval by the Listing Committee of the listing of, and permission to deal in, the H Shares to be offered pursuant to the Global Offering (including any additional H Shares that may be issued pursuant to the exercise of the Over-allotment Option) is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, such approval is subsequently withdrawn, cancelled, qualified (other than by customary conditions), revoked or withheld; or

k. the Company has withdrawn the Offering Documents (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering;

then the Joint Representatives may, on behalf of the Joint Bookrunners in relation to the Hong Kong Public Offering, in their sole and absolute discretion and upon giving notice in writing to the Company, terminate the Hong Kong Underwriting Agreement with immediate effect.

Undertakings pursuant to the Listing Rules and the Hong Kong Underwriting Agreement

(A) *Undertakings by the Company*

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Hong Kong Stock Exchange that no further shares or securities convertible into equity securities of the Company (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within 6 month from the date on which the H Shares of the Company first commence dealing on the Stock Exchange (whether or not such issue of shares or securities will be completed within 6 months from the commencement of dealing), except (a) pursuant to the Global Offering or (b) under any of the circumstances provided under Rule 10.08 of the Listing Rules.

The Company hereby undertakes to each of the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that except pursuant to the Global Offering (including pursuant to the Over-allotment Option), at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling six months after the Listing Date (the "**First Six Month Period**"), it will not, without the prior written consent of the Joint Sponsors and the Joint Representatives (on behalf of the Joint Bookrunners in relation to the Hong Kong Public Offering and the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

1) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, assign, mortgage, charge, pledge, assign, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create a mortgage, charge, pledge, lien, option, restriction, right of first refusal, right of pre-emption, claim, defect, right, interest or preference granted to any third party, or any other encumbrance or security interest of any kind (the "**Encumbrance**") over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, or repurchase, any legal or beneficial interest in the share capital or any other equity securities of the Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represents the right to receive, or any warrants or other rights to purchase any share capital or other equity securities of the Company, as applicable), or deposit any share capital or other equity securities of the Company, as applicable, with a depositary in connection with the issue of depositary receipts; or

2) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of Shares or any other equity securities of the Company, or any interest in any of the foregoing (including, without limitation, any equity securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares); or

3) enter into any transaction with the same economic effect as any transaction described in 1) or 2) above; or

4) offer to or agree to do any of the foregoing or announce any intention to effect any transaction described in 1) or 2) or 3) above,

in each case, whether any of the foregoing transactions is to be settled by delivery of share capital or such other equity securities, in cash or otherwise (whether or not the issue of such share capital or other equity securities will be completed within the First Six Month Period). The Company further agrees that, in the event the Company is allowed to enter into any of the transactions described in 1), 2) or 3) above or offers to or agrees to or announces any intention to effect any such transaction during the period of six months commencing on the date on which the First Six Month Period expires, it will take all reasonable steps to ensure that such an issue or disposal will not, and no other act of the Company will, create a disorderly or false market for any H Shares or other securities of the Company.

(B) *Undertakings by China Mobile Company*

Pursuant to Rule 10.07 of the Hong Kong Listing Rules and the Guidance Letter HKEX-GL89-16, China Mobile Company has undertaken to the Hong Kong Stock Exchange and the Company that:

1) in the event that its shareholding in the Company falls below 30% after the Listing of the Company's H shares on the Main Board of the Hong Kong Stock Exchange as a result of the issuance of H Shares, it will not, unless otherwise permitted under the Hong Kong Listing Rules, in the First Six Month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities in respect of which it is shown by this prospectus to be the beneficial owner;

2) in the event that its shareholding in the Company remains at or above 30% both upon the Listing and upon the completion of issuance of H Shares pursuant to the Over-allotment Option, it will not, unless otherwise permitted under the Hong Kong Listing Rules:

    a) in the First Six Month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities in respect of which it is shown by this prospectus to be the beneficial owner; or

    b) in the period of six months commencing on the date on which the First Six Month Period expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities referred to in the above paragraph a) if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, that it would cease to be a controlling shareholder of the Company; and

3) in the event that its shareholding in the Company remains at or above 30% upon the Listing but falls below 30% upon and as a result of the completion of issuance of H Shares pursuant to the Over-allotment Option, it will not, unless otherwise permitted under the Hong Kong

Listing Rules, in the period commencing on the date by reference to which disclosure of our shareholding in the Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities in respect of which it is shown by this prospectus to be the beneficial owner.

China Mobile Company has further undertaken to the Hong Kong Stock Exchange and the Company that in the First Six Month Period (in the event that its shareholding in the Company falls below 30% upon the Listing as a result of the issuance of H Shares) or 12 months from the Listing Date (in the event that its shareholding in the Company remains at or above 30% upon the Listing), it will:

1) when it pledges/charges any securities of the Company beneficially owned by it in favour of an authorized institution pursuant to Note (2) to Rule 10.07(2) of the Hong Kong Listing Rules, immediately inform the Company of such pledge/charge together with the number of securities so pledged/charged; and

2) when it receives indications, either verbal or written, from the pledge/chargee that any of the pledged/charged securities of the Company will be disposed of, immediately inform the Company of such indications.

We will also, as soon as we have been informed of the above matters (if any) by China Mobile Company, inform the Stock Exchange and disclose such matters as soon as possible by way of an announcement to be published as required under the Listing Rules.

Hong Kong Underwriters' Interests in the Company

Except for its obligations under the Hong Kong Underwriting Agreement and save as disclosed in this prospectus, none of the Hong Kong Underwriters has any shareholding interest in the Company or any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in the Company.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the H Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

The International Offering

International Underwriting Agreement

In connection with the International Offering, it is expected that we will enter into the International Underwriting Agreement with, among others, the International Underwriters. Under the International Underwriting Agreement, subject to the conditions set out therein, it is expected that the International Underwriters would, severally and not jointly, agree to procure purchasers for, or to purchase, Offer Shares being offered pursuant to the International Offering (excluding, for the avoidance of doubt, the Offer Shares which are subject to the Over-allotment Option). It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors are reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

Over-allotment Option

We expect to grant to the International Underwriters, exercisable by the Joint Representatives (on behalf of the International Underwriters), the Over-allotment Option, which will be exercisable from the date of the International Underwriting Agreement until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require the Company to allot and issue up to an aggregate of 6,467,220,000 H Shares, representing no more than 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering.

Commissions and Expenses

The Underwriters will receive a commission of 1.0% of the aggregate Offer Price of all the Offer Shares, out of which they will pay any sub-underwriting commissions. The Underwriters may receive an additional incentive fee of up to 0.5% of the Offer Price of all the Offer Shares.

For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay the underwriting commission attributable to such reallocated Hong Kong Offer Shares to the Joint Representatives and the relevant International Underwriters (but not the Hong Kong Underwriters). The underwriting commission was determined between the Company and the Underwriters after arm's length negotiations with reference to current market conditions.

The aggregate commissions and fees, together with Hong Kong Stock Exchange listing fees, SFC transaction levy and Hong Kong Stock Exchange trading fee, legal and other professional fees and printing and all other expenses relating to the Global Offering, which are estimated to amount in aggregate to approximately HK$1,007.0 million (assuming (i) an Offer Price of HK$1.42 per Offer Share (being the mid-point of the indicative Offer Price range stated in this prospectus), (ii) the full payment of the discretionary incentive fee, and (iii) the Over-allotment Option is not exercised at all), are payable and borne by the Company.

Joint Sponsors' Fee

An amount of RMB100,000 is payable by the Company as sponsor fees to each of the Joint Sponsors, totaling an amount of RMB200,000.

Other Services Provided by the Underwriters

The Joint Representatives, the Joint Global Coordinators and the Underwriters may in their ordinary course of business provide financing to investors subscribing for the Offer Shares offered by this prospectus. Such Joint Representatives, Joint Global Coordinators and Underwriters may enter into hedges and/or dispose of such Offer Shares in relation to the financing which may have a negative impact on the trading price of the H Shares.

Indemnity

We have agreed to indemnify, among others, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters for certain losses which they may suffer, including, among other matters, losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement as the case may be.

INDEPENDENCE OF THE JOINT SPONSORS

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the H Shares, those activities could include acting as agent for buyers and sellers of the H Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the H Shares, and entering into over-the-counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the H Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the H Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the H Shares, in baskets of securities or indices including the H Shares, in units of funds that may purchase the H Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the H Shares as their underlying securities, whether on the Hong Kong Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the H Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in the section headed "Structure of the Global Offering" in this prospectus. Such activities may affect the market price or value of the H Shares, the liquidity or trading volume in the H Shares and the volatility of the price of the H Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members (other than the Stabilizing Manager or its affiliates or any person acting for them) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, such as the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

(i) the Hong Kong Public Offering of initially 2,155,740,000 H Shares in Hong Kong as described below in the section entitled "The Hong Kong Public Offering" below; and

(ii) the International Offering of an aggregate of initially 40,959,060,000 H Shares to be offered to (i) in the United States to Qualified Institutional Buyers in reliance on Rule 144A or another exemption from, or in transaction not subject to, the registration requirements of the U.S. Securities Act, and (ii) outside the United States in reliance on Regulation S. At any time from the date of the International Underwriting Agreement until 30 days after the last day for the lodging of applications in the Hong Kong Public Offering, the Joint Representatives, as representatives of the International Underwriters, have an option to require the Company to issue and allot up to an aggregate of 6,467,220,000 additional Offer Shares, representing 15% of the initial number of Offer Shares to be offered in the Global Offering, at the Offer Price to cover, among other things, over-allocation in the International Offering, if any.

Investors may apply for Hong Kong Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for International Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 24.99997% of the enlarged issued share capital of the Company immediately after completion of the Global Offering without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.7% of the enlarged issued share capital immediately after completion of the Global Offering and the exercise of the Over-allotment Option as set out in the section headed "Structure of the Global Offering — The International Offering — Over-allotment Option" below.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering may be subject to reallocation as described in the section headed "Structure of the Global Offering — The Hong Kong Public Offering — Reallocation" below.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

The Company is initially offering 2,155,740,000 H Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 5% of the total number of Offer Shares initially available under the Global Offering. The Hong Kong Offer Shares will represent approximately 1.2% of the Company's registered share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the section headed "Structure of the Global Offering — Conditions of the Global Offering" below.

Allocation

Allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications to be received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of the Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) is to be divided into two pools for allocation purposes: pool A and pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee payable) and up to the total value in pool B. Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the pools are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in this other pool and be allocated accordingly.

For the purpose of this paragraph only, the "price" for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 1,077,870,000 Hong Kong Offer Shares are liable to be rejected.

Reallocation

The allocation of Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. In the event that the International Offer Shares are fully subscribed or oversubscribed, if the number of Shares validly applied for in the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering will be increased to 3,233,612,000, 4,311,480,000 and 8,622,960,000 Shares, respectively, representing approximately 7.5% (in the case of (i)), 10% (in the case of (ii)) and 20% (in the case of (iii)), respectively, of the total number of Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option), reallocation being referred to in this Prospectus as "Mandatory Reallocation". In such cases, the number of Offer Shares allocated in the International Offering will be correspondingly reduced, in such manner as the Joint Representatives and the Joint Sponsors deem appropriate, and such additional Offer Shares will be reallocated to Pool A and Pool B. If the Hong Kong Offer Shares are not fully subscribed, the Joint Representatives and the Joint Sponsors have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Representatives and the Joint Sponsors deem appropriate. In addition to any Mandatory Reallocation which may be required, the Joint Representatives and the Joint Sponsors may, at their discretion, reallocate Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications in Pool A and Pool B under the Hong Kong Public Offering, regardless of whether the Mandatory Reallocation is triggered. In the event that (i) the International Offer Shares are undersubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed irrespective of the number of times; or (ii) the International Offer Shares are fully subscribed or oversubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed as to less than 15 times of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering provided that the Offer Price would be set at HK$1.26 (low-end of the indicative Offer Price), up to 2,155,740,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Shares available under the Hong Kong Public Offer will be increased to 4,311,480,000 Offer Shares, representing 10% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option).

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it and any person(s) for whose benefit he/she/it is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or he/she/it has been or will be placed or allocated Offer Shares under the International Offering.

The listing of the H Shares on the Hong Kong Stock Exchange is sponsored by the Joint Sponsors. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$1.58 per Hong Kong Offer Share in addition to any brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee payable on each Hong Kong Offer Share. If the Offer Price, as finally determined in the manner described in the section headed "— Pricing of the Global Offering" below, is less than the maximum price of HK$1.58 per Hong Kong Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section entitled "How to Apply for the Hong Kong Offer Shares."

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

Number of Offer Shares offered

Subject to reallocation as described above, the International Offering will consist of an initial offering of 40,959,060,000 International Offer Shares representing 95% of the Offer Shares under the Global Offering and approximately 23.7% of the Company's enlarged share capital immediately after the completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

Allocation

The International Offering will include selective marketing of the International Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such International Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of the International Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in the section headed "— Pricing of the Global Offering" below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell the Offer Shares, after the listing of the Offer Shares on the Hong Kong Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of the Company and our Shareholders as a whole.

The Joint Representatives (on behalf of the Joint Bookrunners and the Underwriters) may require any investor who has been offered the International Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Representatives so as to allow them to identify the relevant application under the Hong Kong Public Offering and to ensure that he/she/it is excluded from any application of the Hong Kong Offer Shares under the Hong Kong Public Offering.

Over-allotment Option

In connection with the Global Offering, we are expected to grant an Over-allotment Option to the International Underwriters exercisable by the Joint Representatives on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the Joint Representatives have the right, exercisable at any time from the Listing Date until 30 days after the last day for the lodging of applications in the Hong Kong Public Offering, to require the Company to issue and allot up to an aggregate of 6,467,220,000 additional Offer Shares, representing 15% of the initial number of Offer Shares to be offered in the Global Offering, at Offer Share to cover, among other things, over-allocation in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.6% of the Company's enlarged share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made.

STABILIZATION

Stabilization is a usual practice used by underwriters in many markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent, any decline in the market price of the securities below the offer price. In Hong Kong and certain other jurisdictions, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager or its affiliates or any person acting for them, on behalf of the Underwriters, may over-allocate or effect short sales or any other stabilizing transactions with a view to stabilizing or maintaining the market price of the H Shares at a level higher than that which might otherwise prevail in the open market. Short sales involve the sale by the Stabilizing Manager of a greater number of H Shares than the Underwriters are required to purchase in the Global Offering. "Covered" short sales are sales made in an amount not greater than the Over-allotment Option. The Stabilizing Manager may close out the covered short position by either exercising the Over-allotment Option to purchase additional H Shares or purchasing H Shares in the open market. In determining the source of the H Shares to close out the covered short position, the Stabilizing Manager will consider, among others, the price of H Shares in the open market as compared to the price at which they may purchase additional H Shares pursuant to the Over-allotment Option. Stabilizing transactions consist of certain bids or purchases to be made for the purpose of preventing or retarding a decline in the market price of the H Shares while the Global Offering is in progress. Any market purchases of the H Shares may be effected on any stock exchange, including the Hong Kong Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager or its affiliates or any person acting for them to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the Stabilizing Manager and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering.

The number of the H Shares that may be over-allocated will not exceed the number of the H Shares that may be sold under the Over-allotment Option, namely, 6,467,220,000 H Shares, which is 15% of the number of Offer Shares initially available under the Global Offering, in the event that the whole or part of the Over-allotment Option is exercised.

In Hong Kong, stabilizing activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules. Stabilizing actions permitted pursuant to the Securities and Futures (Price Stabilizing) Rules include:

(a) over-allocation for the purpose of preventing or minimizing any reduction in the market price;

(b) selling or agreeing to sell the H Shares so as to establish a short position in them for the purpose of preventing or minimizing any deduction in the market price;

(c) subscribing, or agreeing to subscribe, for the H Shares pursuant to the Over-allotment Option in order to close out any position established under (a) or (b) above;

(d) purchasing, or agreeing to purchase, the H Shares for the sole purpose of preventing or minimizing any reduction in the market price;

(e) selling the H Shares to liquidate a long position held as a result of those purchases; and

(f) offering or attempting to do anything described in (b), (c), (d) and (e) above.

Stabilizing actions by the Stabilizing Manager, or its affiliates or any person acting for them, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization.

As a result of effecting transactions to stabilize or maintain the market price of the H Shares, the Stabilizing Manager, or its affiliates or any person acting for them, may maintain a long position in the H Shares. The size of the long position, and the period for which the Stabilizing Manager, or its affiliates or any person acting for them, will maintain the long position is at the discretion of the Stabilizing Manager and is uncertain. In the event that the Stabilizing Manager liquidates this long position by making sales in the open market, this may lead to a decline in the market price of the H Shares.

Stabilizing action by the Stabilizing Manager, or its affiliates or any person acting for them, is not permitted to support the price of the H Shares for longer than the stabilizing period, which begins on the day on which trading of the H Shares commences on the Hong Kong Stock Exchange and ends on the thirtieth day after the last day for the lodging of applications under the Hong Kong Public Offering. The stabilizing period is expected to end on Thursday, August 30, 2018. As a result, demand for the H Shares, and their market price, may fall after the end of the stabilizing period. These activities by the Stabilizing Manager may stabilize, maintain or otherwise affect the market price of the H Shares. As a result, the price of the H Shares may be higher than the price that otherwise may exist in the open market. Any stabilizing action taken by the Stabilizing Manager, or its affiliates or any person acting for them, may not necessarily result in the market price of the H Shares staying at or above the Offer Price either during or after the stabilizing period. Bids for or market purchases of the H Shares by the Stabilizing Manager, or its affiliates or any person acting for them, may be made at a price at or below the Offer Price and therefore at or below the price paid for the H Shares by applicants. A public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period.

PRICING AND ALLOCATION

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring the Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of the Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Offer Price is expected to be fixed by agreement between the Joint Representatives (on behalf of the Joint Bookrunners and the Underwriters) and us on the Price Determination Date, which is expected to be on or about Wednesday, August 1, 2018 and in any event no later than Tuesday, August 7, 2018.

The Offer Price will not be more than HK$1.58 per Offer Share and is expected to be not less than HK$1.26 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

If, for any reason, the Offer Price is not agreed between the Joint Representatives (for themselves and on behalf of the Underwriters) and us by Tuesday, August 7, 2018, the Global Offering will not proceed and will lapse.

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Joint Representatives and the Joint Sponsors consider it appropriate, the number of the Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may be reduced below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of Tuesday, July 31, 2018, being the last day for lodging applications under the Hong Kong Public Offering, cause to be published in the *South China Morning Post* (in English) and the *Hong Kong Economic Times* (in Chinese), on the Hong Kong Stock Exchange’s website at **www.hkexnews.hk**, and on our Company’s website at **http://www.china-tower.com**, notice of the reduction in the number of the Offer Shares being offered under the Global Offering and/or the indicative Offer Price range and will, as soon as practicable following the decision to make such reduction, issue a supplemental prospectus updating investors of the change in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range, extend the period under which the Hong Kong Public Offering was opened for acceptance to allow potential investors sufficient time to consider their subscriptions or reconsider their submitted subscriptions, and give potential investors who had applied for the Hong Kong Offer Shares the right to withdraw their applications under the Hong Kong Public Offering. Such notice and supplemental prospectus will also include confirmation or revision, as appropriate, of the offering statistics, and the future plans and use of proceeds as currently set out in "Summary" and any other financial information which may change as a result of such reduction.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of the Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.

If the number of the Offer Shares being offered under the Global Offering and/or the indicative Offer Price range is so reduced, applicants who have already submitted an application may or may not (depending on the information contained in the announcement) be notified that they are required to confirm their applications. All applicants who have already submitted an application need to confirm their applications in accordance with the procedures set out in the announcement and all unconfirmed applications will not be valid. The Offer Price, if agreed upon, will be fixed within such revised Offer Price range. In the absence of any notice being published of a reduction in the number of the Offer Shares being offered under the Global Offering stated in this prospectus and the Application Forms, respectively, on or before the last day for lodging applications under the Hong Kong Public Offering, the Offer Price, once agreed upon, will under no circumstances be higher than the maximum Offer Price as stated in the Application Forms.

In the event of a reduction in the number of the Offer Shares, the Joint Representatives and the Joint Sponsors may, at their discretion, reallocate the number of the Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of the Offer Shares comprised in the Hong Kong Public Offering shall not be less than 5% of the total number of Offer Shares available under the Global Offering. The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Representatives and the Joint Sponsors. Allocation of the International Offer Shares under the International Offering will be determined by the Joint Representatives and will be based on a number of factors, including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector, and whether or not it is expected that the relevant investor is likely to buy further and/ or hold or sell Offer Shares after the Listing. Such allocation may be made to professional, institutional, or corporate investors and is intended to result in a distribution of our Offer Shares on a basis which would lead to the establishment of a solid Shareholder base to the benefit of our Company and our Shareholders as a whole. Allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of the Hong Kong Offer Shares validly applied for by applicants. The allocation of the Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of the Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of and results of allocations of the Offer Shares under the Hong Kong Public Offering are expected to be announced on Tuesday, August 7, 2018 in the *South China Morning Post* (in English) and the *Hong Kong Economic Times* (in Chinese) and on the website of our Company (**http://www.china-tower.com**) and the website of the Hong Kong Stock Exchange (**www.hkexnews.hk**).

HONG KONG UNDERWRITING AGREEMENT

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is conditional upon the International Underwriting Agreement being signed and becoming unconditional.

The Company expects to enter into the International Underwriting Agreement relating to the International Offering on or around the Price Determination Date.

These underwriting arrangements, and the respective Underwriting Agreements, are summarized in the section headed "Underwriting."

ADMISSION OF THE H SHARES INTO CCASS

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the H Shares and the Company complies with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Hong Kong Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, August 8, 2018, it is expected that dealings in the H Shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on Wednesday, August 8, 2018. Our H Shares will be traded in board lots of 2,000 H Shares each and the stock code of our H Shares will be 0788.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Hong Kong Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

(i) the Listing Committee granting listing of, and permission to deal in, the Offer Shares being offered pursuant to the Global Offering (including the additional Offer Shares which may be made available pursuant to the exercise of the Over-allotment Option) (subject only to allotment);

(ii) the Offer Price having been fixed on or around the Price Determination Date;

(iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

(iv) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements.

If, for any reason, the Offer Price is not agreed between the Joint Representatives (on behalf of the Joint Bookrunners and the Underwriters) and us on or before Tuesday, August 7, 2018, the Global Offering will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by the Company in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section entitled "How to Apply for the Hong Kong Offer Shares." In the meantime, all application monies will be held in separate bank account(s) with the receiving banks or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

H Share certificates for the Offer Shares are expected to be issued on Tuesday, August 7, 2018 but will only become valid certificates of title at 8:00 a.m. on Wednesday, August 8, 2018 provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section entitled "Underwriting — Underwriting Arrangements and Expenses — The Hong Kong Public Offering — Grounds for Termination" has not been exercised.

1. HOW TO APPLY

If you apply for the Hong Kong Offer Shares, then you may not apply for or indicate an interest for the International Offer Shares.

To apply for the Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** service at **www.eipo.com.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Representatives, the **White Form** eIPO Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a U.S. Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorized officer, who must state his/her representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Representatives may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- a Director or chief executive officer of the Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.eipo.com.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, July 25, 2018 till 12:00 noon on Tuesday, July 31, 2018 from:

(i) any of the following offices of the Hong Kong Underwriters:

China International Capital Corporation Hong Kong Securities Limited
29th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong

Goldman Sachs (Asia) L.L.C.
59/F, Cheung Kong Centre, 2 Queen's Road Central, Central, Hong Kong

Merrill Lynch (Asia Pacific) Limited
55/F, Cheung Kong Centre, 2 Queen's Road Central, Central, Hong Kong

J.P. Morgan Securities (Asia Pacific) Limited
28/F, Chater House, 8 Connaught Road Central, Central, Hong Kong

ABCI Securities Company Limited
10/F, Agricultural Bank of China Tower, 50 Connaught Road Central, Hong Kong

BNP Paribas Securities (Asia) Limited
59/F to 63/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong

BOCI Asia Limited
26/F, Bank of China Tower, 1 Garden Road, Central, Hong Kong

CCB International Capital Limited
12/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong

China Merchants Securities (HK) Co., Limited
48/F, One Exchange Square, Central, Hong Kong

China Securities (International) Corporate Finance Company Limited
18/F, Two Exchange Square, 8 Connaught Place, Central, Hong Kong

CMB International Capital Limited
45/F, Champion Tower, 3 Garden Road, Central, Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
HSBC Main Building, 1 Queen's Road Central, Hong Kong

ICBC International Securities Limited
37/F, ICBC Tower, 3 Garden Road, Hong Kong

Morgan Stanley Asia Limited
46/F, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong

UBS AG Hong Kong Branch
52/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong

(ii) any of the following branches of the receiving banks:

Bank of China (Hong Kong) Limited

District	Branch Name	Address
Hong Kong Island	Shek Tong Tsui Branch	534 Queen's Road West, Shek Tong Tsui
	Wan Chai (Wu Chung House) Branch	213 Queen's Road East, Wan Chai
Kowloon	Lam Tin Branch	Shop 12, 49 Kai Tin Road, Lam Tin
	Tsim Sha Tsui Branch	24-28 Carnarvon Road, Tsim Sha Tsui
New Territories	City One Sha Tin Branch	Shop Nos. 24-25, G/F, Fortune City One Plus, No. 2 Ngan Shing Street, ShaTin
	Tuen Mun San Hui Branch	G13-G14 Eldo Court, Heung Sze Wui Road, Tuen Mun

Industrial and Commercial Bank of China (Asia) Limited

District	Branch Name	Address
Hong Kong Island	Happy Valley Branch	23 King Kwong Street, Happy Valley
	Causeway Bay Branch	Shop A on G/F, 1/F, Hennessy Apartments, 488 & 490 Hennessy Road
Kowloon	Shamshuipo Branch	G/F, 290 Lai Chi Kok Road, Shamshuipo
	Hung Hom Branch	Shop 2A, G/F, Hung Hom Shopping Mall, 2-34E Tak Man Street, Hung Hom
New Territories	Kwai Fong Branch	C63A-C66, 2/F, Kwai Chung Plaza, Kwai Fong
	Yuen Long Branch	G/F, 197-199 Castle Peak Road, Yuen Long

Wing Lung Bank Limited

District	Branch Name	Address
Hong Kong Island	Head Office	45 Des Voeux Road Central
	Johnston Road Branch	118 Johnston Road
	North Point Branch	361 King's Road
Kowloon	Mongkok Branch	B/F Wing Lung Bank Centre, 636 Nathan Road
	Tsim Sha Tsui Branch	4 Carnarvon Road
New Territories	Tsuen Wan Branch	251 Sha Tsui Road

Standard Chartered Bank (Hong Kong) Limited

District	Branch Name	Address
Hong Kong Island	Des Voeux Road Branch	Standard Chartered Bank Building, 4-4A, Des Voeux Road Central, Central
	Hennessy Road Branch	399 Hennessy Road, Wanchai
	Causeway Bay Branch	G/F to 2/F, Yee Wah Mansion, 38-40A Yee Wo Street, Causeway Bay
Kowloon	68 Nathan Road Branch	Basement, Shop B1, G/F Golden Crown Court, 66-70 Nathan Road, Tsimshatsui
New Territories	Tseung Kwan O Branch	Shop No. E037-E040, G/F, East Wing of TKO Gateway, Hau Tak Estate, Tseung Kwan O, New Territories
	Fotan Branch	Shop No. 3, 1/F, Shatin Galleria, 18-24 Shan Mei Street, Fo Tan, Shatin

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, July 25, 2018 till 12:00 noon on Tuesday, July 31, 2018 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**BANK OF CHINA (HONG KONG) NOMINEES LIMITED — CHINA TOWER PUBLIC OFFER**" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

- Wednesday, July 25, 2018 — 9:00 a.m. to 5:00 p.m.
- Thursday, July 26, 2018 — 9:00 a.m. to 5:00 p.m.
- Friday, July 27, 2018 — 9:00 a.m. to 5:00 p.m.
- Saturday, July 28, 2018 — 9:00 a.m. to 1:00 p.m.
- Monday, July 30, 2018 — 9:00 a.m. to 5:00 p.m.
- Tuesday, July 31, 2018 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, July 31, 2018, the last application day or such later time as described in the section headed "How to Apply for the Hong Kong Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you:

(i) **undertake** to execute all relevant documents and instruct and authorize the Company and/or the Joint Representatives (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) **agree** to comply with the Companies Ordinance, the Companies (Winding up and Miscellaneous Provisions) Ordinance and the Articles of Association;

(iii) **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) **confirm** that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) **confirm** that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) **agree** that none of the Company, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) **undertake** and **confirm** that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering nor participated in the International Offering;

(viii) **agree** to disclose to the Company, our H Share Registrar, receiving banks, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisors and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, **agree** and **warrant** that you have complied with all such laws and none of the Company, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisors will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) **agree** that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) **agree** that your application will be governed by the laws of Hong Kong;

(xii) **represent**, **warrant** and **undertake** that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) **warrant** that the information you have provided is true and accurate;

(xiv) **agree** to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) **authorize** the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned as set out in "—15. Personal Collection" of this prospectus to collect the share certificate(s) and/or refund cheque(s) in person;

(xvi) **declare** and **represent** that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) **understand** that the Company and the Joint Representatives will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) **warrant** that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO Service Provider** by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or **give electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in "Who can apply" section, may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorize the **White Form eIPO Service Provider** to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO

You may submit your application to the **White Form eIPO Service Provider** at www.eipo.com.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Wednesday, July 25, 2018 until 11:30 a.m. on Tuesday, July 31, 2018 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, July 31, 2018 or such later time under the section headed "How to Apply for the Hong Kong Offer Shares — 10. Effects of Bad Weather on the Opening of the Application Lists."

No Multiple Applications

If you apply by means of **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO service** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding up and Miscellaneous Provisions) Ordinance (as applied by Section 42E of the Companies (Winding up and Miscellaneous Provisions) Ordinance).

Environmental Protection

The obvious advantage of **White Form eIPO** service is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO Service Provider**, will contribute HK$2 for each China Tower Corporation Limited **White Form eIPO** application submitted via the **www.eipo.com.hk** to support the funding of "Dongjiang River Source Tree Planting" project initiated by Friends of the Earth (HK).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (https://ip.ccass.com) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square,
8 Connaught Place, Central,
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Representatives and our H Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering;

- declare that only one set of **electronic application instructions** has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;

- confirm that you understand that the Company, the Directors and the Joint Representatives will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorize the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing he application to be made, save as set out in any supplement to this prospectus;

- agree that none of the Company, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to the Company, our H Share Registrar, receiving banks, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or its respective advisors and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;

- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies Ordinance, the Companies (Winding up and Miscellaneous Provisions) Ordinance and the Articles of Association;

- agree with the Company, for itself and for the benefit of each of the Shareholder and each director, supervisor, manager and other senior officer of the Company (and so that the Company will be deemed by its acceptance in whole or in part of this application to have agreed, for itself and on behalf of each of the Shareholder and each director, supervisor, manager and other senior officer of the Company, with each CCASS Participant giving electronic application instructions):

  (a) to refer all differences and claims arising from the Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning the affairs of the Company to arbitration in accordance with the Articles of Association;

  (b) that any award made in such arbitration shall be final and conclusive; and

  (c) that the arbitration tribunal may conduct hearings in open sessions and publish its award;

- agree with the Company (for the Company itself and for the benefit of each shareholder of the Company) that the H Shares are freely transferable by their holders;

- authorize the Company to enter into a contract on its behalf with each director and officer of the Company whereby each such director and officer undertakes to observe and comply with his obligations to shareholders stipulated in the Articles of Association; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for 2,000 Hong Kong Offer Shares. Instructions for more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions(1)

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Wednesday, July 25, 2018 — 9:00 a.m. to 8:30 p.m.
- Thursday, July 26, 2018 — 8:00 a.m. to 8:30 p.m.
- Friday, July 27, 2018 — 8:00 a.m. to 8:30 p.m.
- Saturday, July 28, 2018 — 8:00 a.m. to 1:00 p.m.
- Monday, July 30, 2018 — 8:00 a.m. to 8:30 p.m.
- Tuesday, July 31, 2018 — 8:00 a.m. to 12:00 noon

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Wednesday, July 25, 2018 until 12:00 noon on Tuesday, July 31, 2018 (24 hours daily, except on Tuesday, July 31, 2018, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Tuesday, July 31, 2018, the last application day or such later time as described in the section headed "How to apply for the Hong Kong Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

Notes:

(1) The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by the Company, the H Share Registrar, the receiving banks, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO Service Provider** to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Tuesday, July 31, 2018.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"**Unlisted company**" means a company with no equity securities listed on the Hong Kong Stock Exchange.

"**Statutory control**" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for the Hong Kong Offer Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee in full upon application for the Hong Kong Offer Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 2,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Hong Kong Stock Exchange trading fee are paid to the Hong Kong Stock Exchange (in the case of the SFC transaction levy, collected by the Hong Kong Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed "*Structure of the Global Offering — Pricing of the Global Offering*."

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warming signal number 8 or above; or
- a "black" rainstorm warning, in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, July 31, 2018. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Tuesday, July 31, 2018 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable," an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Tuesday, August 7, 2018 in South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the Company's website at **www.china-tower.com** and the website of the Hong Kong Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company's website at **www.china-tower.com** and the Hong Kong Stock Exchange's website at **www.hkexnews.hk** by no later than 8:00 a.m. on Tuesday, August 7, 2018;

- from the designated results of allocations website at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Tuesday, August 7, 2018 to 12:00 midnight on Monday, August 13, 2018;

- by telephone enquiry line by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Tuesday, August 7, 2018 to Friday, August 10, 2018;

- in the special allocation results booklets which will be available for inspection during opening hours from Tuesday, August 7, 2018 to Thursday, August 9, 2018 at all the receiving banks' designated branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering."

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **White Form eIPO Service Provider**, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) **If the Company or its agents exercise their discretion to reject your application:**

The Company, the Joint Representatives, the **White Form eIPO Service Provider** and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) **If the allotment of Hong Kong Offer Shares is void:**

The allotment of Hong Kong Offer Shares will be void if the Listing Committee does not grant permission to list the H Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) **If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Joint Representatives believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or

- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$1.58 per Offer Share (excluding brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering Conditions of the Global Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Tuesday, August 7, 2018.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the H Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Tuesday, August 7, 2018. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Wednesday, August 8, 2018 provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade the H Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

15. PERSONAL COLLECTION

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, August 7, 2018 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Tuesday, August 7, 2018, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Tuesday, August 7, 2018, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Tuesday, August 7, 2018, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- ***If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)***

For Hong Kong Public Offering shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offering shares allotted to you with that CCASS Participant.

- ***If you are applying as a CCASS Investor Participant***

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in the section headed "How to apply for the Hong Kong Offer Shares — 11. Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, August 7, 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) **If you apply through the White Form eIPO service**

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, August 7, 2018, or such other date as notified by the Company in the newspapers as the date of despatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Tuesday, August 7, 2018 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) **If you apply via Electronic Application Instructions to HKSCC**

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Tuesday, August 7, 2018, or, on any other date determined by HKSCC or HKSCC Nominees.

- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Tuesday, August 7, 2018. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, August 7, 2018 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, August 7, 2018. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, August 7, 2018.

16. ADMISSION OF THE H SHARES INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the H Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

pwc 羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CHINA TOWER CORPORATION LIMITED AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED AND GOLDMAN SACHS (ASIA) L.L.C.

Introduction

We report on the historical financial information of China Tower Corporation Limited (中國鐵塔股份有限公司) (the "Company") set out on pages I-4 to I-72, which comprises the Company's balance sheets as at 31 December 2015, 2016 and 2017 and 31 March 2018, and the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the years ended 31 December 2015, 2016 and 2017 and for the three months ended 31 March 2018 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-72 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 25 July 2018 (the "Prospectus") in connection with the initial listing of H shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

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Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at 31 December 2015, 2016 and 2017 and 31 March 2018 and of its financial performance and its cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Company which comprises the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the three months ended 31 March 2017 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Notes 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with "International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board ("IAASB").* A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Notes 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 26 to the Historical Financial Information which states that no dividends have been paid by China Tower Corporation Limited during the Track Record Period.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 25 July 2018

I HISTORICAL FINANCIAL INFORMATION OF THE COMPANY

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The financial statements of the Company for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board ("Underlying Financial Statements").

The Historical Financial Information is presented in RMB and all values are rounded to the nearest million except when otherwise indicated.

Statements of comprehensive income

		Year ended 31 December			Three months ended 31 March	
	Note	**2015**	**2016**	**2017**	**2017**	**2018**
		RMB million	**RMB million**	**RMB million**	**RMB million (Unaudited)**	**RMB million**
Operating revenue	6	8,802	55,997	68,665	16,449	17,244
Operating expenses						
Depreciation and amortisation		(5,138)	(27,585)	(32,642)	(7,843)	(8,041)
Site operating lease charges		(1,856)	(9,121)	(11,336)	(2,880)	(3,020)
Repairs and maintenance		(1,387)	(5,750)	(6,156)	(1,446)	(1,514)
Employee benefits and expenses	7	(2,840)	(3,743)	(4,229)	(1,098)	(1,240)
Other operating expenses	8	(1,742)	(4,728)	(6,587)	(1,276)	(1,340)
		(12,963)	(50,927)	(60,950)	(14,543)	(15,155)
Operating (loss)/profit		(4,161)	5,070	7,715	1,906	2,089
Other gains		18	48	149	10	14
Interest income		144	65	104	18	33
Finance costs	9	(747)	(5,077)	(5,283)	(1,288)	(1,638)
(Loss)/profit before taxation		(4,746)	106	2,685	646	498
Income tax credits/ (expenses)	10	1,150	(30)	(742)	(162)	(118)
(Loss)/profit for the year/period		(3,596)	76	1,943	484	380
Other comprehensive income, net of tax		—	—	—	—	—
Total comprehensive (loss)/income for the year/period		(3,596)	76	1,943	484	380
Basic and diluted (loss)/ earnings per share (in RMB Yuan)						
Basic/diluted	11	(0.1203)	0.0006	0.0150	0.0037	0.0029

Balance sheets

	Note	As at 31 December 2015	As at 31 December 2016	As at 31 December 2017	As at 31 March 2018
		RMB million	RMB million	RMB million	RMB million
Assets					
Non-current assets					
Property, plant and equipment	12	203,886	245,788	258,138	254,619
Construction in progress	13	19,807	13,592	10,930	10,006
Long-term prepayments	14	7,089	5,385	9,910	11,777
Deferred income tax assets	15	1,238	1,208	689	636
Other non-current assets	16	5	6,130	12,459	12,914
		232,025	272,103	292,126	289,952
Current assets					
Inventories		5	3	28	1
Trade and other receivables	17	20,537	15,789	15,262	19,329
Prepayments and other current assets	18	2,918	6,524	7,375	7,837
Cash and cash equivalents	19	13,653	17,249	7,852	7,221
		37,113	39,565	30,517	34,388
Total assets		269,138	311,668	322,643	324,340
Equity and liabilities					
Equity attributable to owners of the Company					
Share capital	20	129,345	129,345	129,345	129,345
Accumulated deficits		(3,869)	(3,793)	(1,850)	(1,470)
Total equity		125,476	125,552	127,495	127,875

Balance sheets — continued

		As at 31 December			As at 31 March
	Note	2015	2016	2017	2018
		RMB million	RMB million	RMB million	RMB million
Liabilities					
Non-current liabilities					
Borrowings	21(a)	10,984	12,280	43,793	48,195
Deferred consideration payables	21(b)	83,333	—	—	—
Deferred revenue	22	2,218	2,268	1,314	1,245
		96,535	14,548	45,107	49,440
Current liabilities					
Borrowings	21(a)	12,900	32,316	95,260	96,429
Asset-backed notes	21(c)	—	4,937	—	—
Deferred consideration payables - current portion	21(b)	10,966	90,499	17,252	15,737
Deferred revenue	22	—	34	29	18
Accounts payable	23	21,618	39,840	31,906	29,202
Accrued expenses and other payables	24	1,643	3,942	5,371	5,351
Current income tax payable		—	—	223	288
		47,127	171,568	150,041	147,025
Total liabilities		143,662	186,116	195,148	196,465
Total equity and liabilities		269,138	311,668	322,643	324,340

Statements of changes in equity

		Attributable to owners of the Company		
	Note	Share capital	Accumulated deficits	Total equity
		RMB million	RMB million	RMB million
Balance at 1 January 2015		10,000	(273)	9,727
Loss for the year		—	(3,596)	(3,596)
Other comprehensive income		—	—	—
Total comprehensive income for the year		—	(3,596)	(3,596)
Issue of ordinary shares	20	119,345	—	119,345
Balance at 31 December 2015		129,345	(3,869)	125,476
Profit for the year		—	76	76
Other comprehensive income		—	—	—
Total comprehensive income for the year		—	76	76
Balance at 31 December 2016		129,345	(3,793)	125,552
Profit for the year		—	1,943	1,943
Other comprehensive income		—	—	—
Total comprehensive income for the year		—	1,943	1,943
Balance at 31 December 2017		129,345	(1,850)	127,495
Profit for the period		—	380	380
Other comprehensive income		—	—	—
Total comprehensive income for the period		—	380	380
Balance at 31 March 2018		129,345	(1,470)	127,875
(Unaudited)				
Balance at 1 January 2017		129,345	(3,793)	125,552
Profit for the period		—	484	484
Other comprehensive income		—	—	—
Total comprehensive income for the period		—	484	484
Balance at 31 March 2017		129,345	(3,309)	126,036

Statements of cash flows

	Note	Year ended 31 December			Three months ended 31 March	
		2015	2016	2017	2017	2018
		RMB million	RMB million	RMB million	RMB million (Unaudited)	RMB million
Cash flows from operating activities	25(a)					
Cash (used in)/generated from operations		(6,873)	27,529	34,831	8,687	5,758
Income tax paid		—	—	—	—	—
Interest income received		144	65	104	18	33
Net cash (used in)/generated from operating activities		(6,729)	27,594	34,935	8,705	5,791
Cash flows from investing activities						
Purchase of property and equipment		(15,211)	(46,001)	(51,837)	(12,617)	(8,813)
Purchase of land use right and other non-current assets		(6)	(84)	(164)	(2)	(23)
Proceeds from disposal of property and equipment	25(b)	—	62	86	19	29
Net cash used in investing activities		(15,217)	(46,023)	(51,915)	(12,600)	(8,807)
Cash flows from financing activities	25(c)					
Capital contributions from the Company's shareholders		—	10,727	—	—	—
Net proceeds from issuance of asset-backed notes		—	4,937	—	—	—
Proceeds from borrowings		26,375	41,675	131,479	3,950	15,160
Repayment of asset-backed notes		—	—	(4,950)	—	—
Repayments of borrowings		(300)	(20,887)	(37,973)	(9,774)	(9,670)
Payments of deferred consideration (including value-added tax) for acquisition of Tower Assets		—	(10,966)	(76,631)	—	(1,515)

Statements of cash flows - continued

	Note	Year ended 31 December 2015	2016	2017	Three months ended 31 March 2017	2018
		RMB million	RMB million	RMB million	RMB million (Unaudited)	RMB million
Interest paid for interest-bearing liabilities		(68)	(3,461)	(4,342)	(325)	(1,590)
Net cash generated from/(used in) financing activities		26,007	22,025	7,583	(6,149)	2,385
Net increase/(decrease) in cash and cash equivalents		4,061	3,596	(9,397)	(10,044)	(631)
Cash and cash equivalents at beginning of year/period		9,592	13,653	17,249	17,249	7,852
Cash and cash equivalents at end of year/period		13,653	17,249	7,852	7,205	7,221

Significant non-cash transactions:

In 2015, the Company issued new shares as part of the consideration for the acquisition of tower assets and related assets of RMB 108,618 million. The remaining consideration of approximately RMB 94,866 million as at 31 December 2015, was deferred and would be settled in cash subsequently, see Note 1.1 for details.

For the additions of construction in progress, the Company recorded accounts payables of approximately RMB 19,161 million, approximately RMB 35,049 million and approximately RMB 26,706 million to equipment and construction suppliers as at 31 December 2015, 2016 and 2017, and approximately RMB 28,598 million and approximately RMB 21,442 million to equipment and construction suppliers as at 31 March 2017 and 2018, respectively.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 General information

China Tower Corporation Limited (中國鐵塔股份有限公司, the "Company", previously named as 中國通信設施服務股份有限公司, changed to its present name in September 2014) was established by China Mobile Communications Company Limited ("China Mobile Company"), China United Network Communications Corporation Limited ("China Unicom Corporation") and China Telecom Corporation Limited ("China Telecom") (collectively the "Three Telecom Operators") as a limited liability company under the Company Law of the PRC on 15 July 2014 ("date of establishment") in Beijing, the People's Republic of China ("PRC"), with a total registered capital of RMB 10,000 million. Upon its establishment, China Mobile Company, China Unicom Corporation and China Telecom subscribed for 4,000 million shares, 3,010 million shares and 2,990 million shares of the Company respectively, in cash at a par value of RMB 1.00 per share, which accounted for 40%, 30.1% and 29.9% of equity interests in the Company respectively on the date of establishment.

The share capital of the Company was increased to RMB 129,345 million, after an acquisition of certain telecommunications towers and related assets and contracts (collectively, referred to as the "Tower Assets") from the Three Telecom Operators and new shares issuance to a new investor, China Reform Holdings Corporation Ltd. ("China Reform") in 2015. China Mobile Company, China Unicom Corporation, China Telecom and China Reform, held 38.0%, 28.1%, 27.9% and 6.0% of the equity interests in the Company respectively (See Note 1.1) as of 31 December 2015.

The Company provides telecommunications tower infrastructure services in mainland China. The principal activities of the Company are the construction and operation of telecommunications towers, the provision of telecommunications tower site space (the "provision of Site Space"); the provision of maintenance services ("Maintenance services") and power services ("Power services"); the provision of indoor distributed antenna systems ("DAS") and other site application and information services. The provision of Site Space, the Maintenance services and the Power services for tower sites are collectively referred as to the Tower business. The Company's headquarter is in Beijing, with 31 provincial branches operating across mainland China.

1.1 *Acquisition of the Tower Assets*

On 14 October 2015, the Company entered into a serial of agreements with the Three Telecom Operators, China Reform, and the Three Telecom Operators' parent companies, i.e. China Mobile Communications Group Co., Ltd. ("CMCC"), China United Network Communications Group Company Limited ("CUC") and China Telecommunications Corporation ("CTC"), pursuant to which the Company (i) purchased Tower Assets from the Three Telecom Operators and their parent companies and (ii) issued new equity shares to China Reform and China Telecom in consideration of cash. The Company agreed to settle the consideration of the acquisition of the Tower Assets by way of issuing its equity shares to the Three Telecom Operators respectively, plus cash consideration. The consideration of Tower Assets was determined based on the appraised value and subject to adjustments in accordance with the terms of the aforementioned asset acquisition agreements.

The acquisitions of the Tower Assets was completed on 31 October 2015 (the "Completion Date") and the total consideration was amounted to RMB 203,484 million. The Company issued 108,618 million new shares at RMB 108,618 million to the Three Telecom Operators, as part of the consideration of the Tower Assets. The remaining consideration of RMB 94,866 million would be settled in cash, of which RMB 10,966 million was paid in February 2016. The unpaid balance together with related input value-added tax bore interest from 1 November 2015 at 90% of the financial institution's one year benchmark lending rate announced by the People's Bank of China ("PBOC") prevailing on the Completion Date of the transaction. In December 2017, the Company settled RMB 70,939 million to China Mobile Company, China Unicom Corporation and CUC. The remaining consideration payable to CMCC of RMB 12,961 million was further deferred and to be settled before 31 December 2018. Such balance bears interest that benchmarked the financial institution's one-year lending rate announced by the PBOC.

Concurrently with the above acquisitions of Tower Assets, China Telecom and China Reform also subscribed for 10,727 million new shares of the Company at a cash consideration of RMB 10,727 million, which was paid in February 2016.

Upon the completion of the above acquisitions of Tower Assets and share subscriptions, the share capital of the Company increased to RMB 129,345 million, of which China Mobile Company, China Unicom Corporation, China Telecom and China Reform, hold 38.0%, 28.1%, 27.9% and 6.0% of the equity interests in the Company respectively as of 31 December 2015.

Pursuant to the aforementioned acquisition of Tower Assets, the Three Telecom Operators were allowed to continuously use their Tower Assets transferred to the Company after the Completion Date. The Company and the Three Telecom Operators had mutual understanding of the major terms (including the pricing mechanism) of the Tower Assets usage, then the final framework arrangements (the "Commercial Pricing Agreements") of the leasing of the Tower Assets and the provision of related services were signed in July 2016. In early 2018, certain terms of the Commercial Pricing Agreements were further revised and such revisions will be effective from 1 January 2018 onwards (see Note 6 for details).

CMCC together with China Mobile Company and all their subsidiaries are hereinafter referred to as "CMCC Group"; CUC together with China Unicom Corporation and all their subsidiaries are hereinafter referred to as "CUC Group", and; CTC together with China Telecom and all their subsidiaries are hereinafter referred to as "CTC Group". CMCC Group, CUC Group and CTC Group are all ultimately controlled by the PRC government.

All English names of the entities mentioned in Note 1 represent the best efforts by the directors of the Company in translating their Chinese names as they do not have official English names, and are for reference only.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1 *Basis of preparation*

The Historical Financial Information of the Company has been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") issued by International Accounting Standards Board ("IASB"). In preparing the Historical Financial Information, the Company has adopted IFRS 9 Financial Instruments ("IFRS 9") and IFRS 15 Revenue from Contracts with Customers ("IFRS 15").

The Historical Financial Information has been prepared under the historical cost convention. For the Tower Assets acquired from the Three Telecom Operators and their parent companies, the Company uses the purchase considerations which were negotiated and agreed with these parties as the historical costs of these Tower Assets, such as telecommunications towers, ancillary facilities, equipment and devices.

The Historical Financial Information in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

2.1.1 *Going concern*

At 31 March 2018, the Company's current liabilities exceeded its current assets by RMB 112,637 million (31 December 2017: RMB 119,524 million; 31 December 2016: RMB 132,003 million; 31 December 2015: RMB 10,014 million).

Given the current economic conditions and based on the Company's future operating plans and the expected levels of capital expenditure, management has comprehensively considered the following available sources of funds:

- The Company's continuous net cash inflows from operating activities;
- The available committed, unrestricted and unutilized revolving bank credit facilities of RMB 159,470 million as at 31 March 2018; and
- Other available sources of financing from domestic banks and other financial institutions.

Based on management's operating and financial plans, the directors of the Company are of the opinion that the Company has adequate funds to continue its operations and to repay its debts when they fall due, and thus concluded that the Company will be able to meet its obligations for the twelve months after 31 March 2018. Accordingly, the Historical Financial Information has been prepared on the basis that the Company will continue as a going concern.

2.1.2 *Standards and Interpretations in issue but not yet effective and not been early adopted*

Standards and interpretations that have been issued but not yet effective and not been early adopted by the Company during the Track Record Period are as follows:

	New standards, amendments and interpretations	Published date	Effective date
IFRS 16	Leases	January 2016	Annual periods beginning on or after 1 January 2019
IFRS 17	Insurance contracts	February 2018	Annual periods beginning on or after 1 January 2021
IFRIC 23	Uncertainty over income tax treatments	June 2017	Annual periods beginning on or after 1 January 2019
IAS 19	'Employee benefits' on plan amendment, curtailment or settlement	February 2018	Annual periods beginning on or after 1 January 2019
Amendments to IFRS 10 and IAS 28	Sale or contribution assets between an investor and its associate or joint venture	September 2014	To be determined
Amendments to IFRS	Annual Improvements to IFRSs 2015-2017 Cycle	December 2017	Annual periods beginning on or after 1 January 2019
Amendment to IAS 28	Long term interests in associates and joint ventures	October 2017	Annual periods beginning on or after 1 January 2019
Amendment to IFRS 9	Prepayment features with negative compensation	October 2017	Annual periods beginning on or after 1 January 2019

None of these IFRS is expected to have a significant effect on the financial information of the Company, except for the following:

IFRS 16, 'Leases'

For the lessee, under IAS 17 lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a right-of-use asset for virtually all lease contracts, unless the underlying asset is of low value or they are short-term leases, in the statement of balance sheets. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability in the statement of comprehensive income, and also classifies cash repayments of the lease liability into principal portion and an interest portion for presentation in the statement of cash flows.

Upon initial evaluation, given that the Company leases certain offices/buildings, site ground and other assets for time periods longer than a year, the application of IFRS 16 "Leases" in 2019 is expected to have impact on the Company's financial statements to certain extent because the present values of lease liabilities and leased assets will be recorded on the balance sheet when the standard is applied.

At 31 March 2018, the balance of the future aggregate minimum lease payments under non-cancellable operating leases (the "Operating Lease Commitment") was RMB 23,736 million according to IAS 17. According to the new guidance, the Company expects a corresponding increase in its assets and liabilities. The prepayment of site or housing stated in "Long term prepayments" and "Prepayments and other current assets" will be reclassified to right-of-use assets according to IFRS 16. In addition, instead of recording related operating lease expense, the Company will recognize depreciation of right-of-use assets and unwinding of the liability in principal and interest components.

For the lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17 except for definition of lease and accounting for sub-lease. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Company expects that, as a lessor, there will be no significant impact of the adoption of IFRS 16 on the financial information.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Company does not intend to adopt the standard before its effective date. The Company intends to apply IFRS 16 retrospectively with the cumulative effect of initially applying IFRS 16 recognised as an adjustment to the opening balance of retained earnings of the annual reporting period that includes the date of initial application. The Company has commenced a process to analyse the impact of IFRS 16 adoption on the main transactions performed to date, and to the possible types of transactions that are expected to arise in the coming years. The process mainly includes 1) Determination of what type of transaction and contract with customers/suppliers are or contain lease in accordance with IFRS 16; 2) Structure the methodology on the application of the judgements and the calculation of key data for the accounting treatment (such as interest rates to be used) under IFRS 16; and 3) Implementation and evaluation of the transition options based on results of the financial impact assessment.

As a lessee, given that the Operating Lease Commitment account for over 10% of the total liabilities of the Company as at 31 March 2018 and the provision of the sub-lease arrangement, the Company expect that the adoption of IFRS 16 as compared with the current accounting policy would result in significant impact on the Company's assets and liabilities. Upon adoption of IFRS 16, the Company will recognise a liability reflecting these future lease payments and right-of-use assets, unless the underlying asset is of low value or they are short-term leases, in its balance sheets. However, the Company does not expect a significant impact on operating performance, except for the recognition of depreciation expenses of the related right-of-use assets and interest expenses on the lease liability in the statement of comprehensive income, instead of operating lease expenses.

2.1.3 *Changes in accounting estimates*

Changes of estimated useful life of self-built ground towers

At the end of each reporting period, the Company reassesses and reviews the estimated useful lives and residual values of its property, plant and equipment. At the end of December 2017, the Company reassessed the estimated useful lives of its towers assets by considering various factors, including the change of construction standards, e.g. the construction materials and methodology used for its self-built ground towers (the "Self-built Towers"), the assessment of future technological requirements of the 5G communication networks, as well as the issuance of favourable government regulations such as the inclusion of certain telecommunications towers into the urban-rural development plans in the PRC. After the aforementioned reassessment, the Company has concluded to change the estimated useful lives of the Self-built Towers from 10 years to 20 years and account for this change of accounting estimates prospectively, starting 1 January 2018. For the acquired towers from the Three Telecom Operators and their parents in 2015, their estimated useful lives will remain unchanged.

Should the above estimated useful lives of Self-built Towers were changed since 1 January 2017, the depreciation expenses of the Company's Self-built Towers would have decreased from RMB 3,878 million to RMB 1,865 million for the year ended 31 December 2017. After the change of this accounting estimate on 1 January 2018, the depreciation expenses of the Company's Self-built Towers have decreased by RMB 594 million for the three months ended 31 March 2018.

2.2 ***Segment reporting***

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Company's executive director, senior management (includes two vice-presidents and the chief finance officer, the "CFO").

2.3 ***Foreign currency translation***

Functional and presentation currency

Items included in the Historical Financial Information of the Company are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). The Historical Financial Information of the Company are presented in RMB, which is also the Company's functional currency.

2.4 ***Property and equipment***

The Company's property and equipment are stated at historical cost less accumulated depreciation and impairment losses (Note 2.7). Historical cost comprises the purchase price and any directly attributable costs of bringing the asset to its working location and condition for its intended use.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the profit and loss during the financial period in which they are incurred.

Depreciation is calculated to write off the cost of items of property and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

	Estimated residual value (%)	Estimated useful life
- Buildings	3%	30 years
- Towers and ancillary facilities	0-3%	10-25 years
- Machinery and electronic devices	3%	5-7 years
- Office facilities and others	3%	5-6 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. The Company has changed the estimated useful lives of the Self-built Towers from 10 years to 20 years since 1 January 2018 (See Note 2.1.3 for details).

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains and losses on disposals are determined by comparing the net sales proceeds with the carrying amount and are recognized within "Other operating expenses" in the statement of comprehensive income.

2.5 ***Construction-in-progress***

The Company's construction-in-progress ("CIP") represents buildings and equipment under construction and pending installation, and is stated at cost less accumulated impairment losses (Note 2.7). Costs include construction and acquisition costs, and interest charges arising from borrowings used to finance the assets during the construction period. No provision for depreciation is made on CIP until such time as the assets are completed and ready for its intended use. When the asset being constructed becomes available for use, the CIP is transferred to the appropriate category of assets.

2.6 ***Long-term prepayments***

The Company's long-term prepayments represent the prepayments for site ground lease and land use rights. Prepayments for site ground lease and land use rights are stated at cost initially and expensed on a straight-line basis over the lease period of sites (generally 3-10 years) or the land use right period (generally 10-30 years).

2.7 ***Impairment of non-financial assets***

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.8 ***Financial assets***

2.8.1 *Classification*

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI"), or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

2.8.2 *Measurement*

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.

- Fair value through other comprehensive income ("FVOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gain/losses, net. Interest income from these financial assets is included in the interest income using the effective interest rate method. Foreign exchange gains or losses and impairment gains or losses are presented in other gains or losses, net in the statement of comprehensive income.

- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the statement of comprehensive income within other gains or losses, net in the period in which it arises.

Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in the statement of comprehensive income. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2.8.3 *Impairment*

The Company has types of financial assets subject to IFRS 9's new expected credit loss model:

- trade receivables, and
- other receivables (including receivable from shareholders)

The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3.1(b) details how the Company determines whether there has been a significant increase in credit risk.

2.9 ***Inventories***

The Company's inventories include operating supplies, spare parts and low-value consumables, which are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of specific identification method. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs. No reversal of any write-down of inventories occurred during the periods presented.

2.10 ***Trade and other receivables***

The Company's trade receivables are amounts due from customers for the Tower business, DAS business, Trans-sector site application and information business and others arising from the ordinary courses of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. See Note 2.8.3 for the accounting policy of the Company's impairment on financial assets.

2.11 ***Cash and cash equivalents***

The Company's cash and cash equivalents comprise cash at banks and on hand, short term demand deposits with banks, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

2.12 ***Share capital***

The Company's ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.13 ***Accounts payable and other payables***

The Company's accounts payable and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Accounts payable and other payables are initially recognised at fair value and subsequently stated at amortised cost using the effective interest method unless the effect of discounting would be immaterial.

2.14 ***Borrowings, asset-back notes and deferred consideration payables***

The Company's borrowings and deferred consideration payables (Note 1.1) are recognised initially at fair value, net of transaction costs incurred. Borrowings and deferred consideration payables are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings and deferred consideration payables using the effective interest method.

For asset-backed notes, the Company securitizes the future cash flows stream arising from the Tower business revenue, through the transfer of the rights to those cash flow streams to securitization vehicles. The securitization vehicles then issue debt securities to third party investors, collateralized by the related future cash flow streams. These asset-backed notes issued by the securitization vehicles are nonrecourse to the Company and are payable only out of collections of the related cash flow streams. The asset-backed notes are accounted for as a financing type transaction and recorded as a liability in the Company's balance sheets.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings, asset-backed notes and deferred consideration payables are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.15 ***Borrowing costs***

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Capitalisation of borrowing costs is suspended or ceased when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

2.16 ***Current and deferred income tax***

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) *Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in PRC where the Company operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) *Deferred income tax*

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

(c) *Offsetting*

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.17 ***Employee benefits***

(a) *Short-term employee benefits*

Salaries and welfare

Liabilities for salaries and allowance, annual bonuses and paid annual leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are included in accrued expenses and other payables in the balance sheet.

Medical insurance

The Company's contributions to basic and supplementary medical insurances for its employees are expensed as incurred. The Company has no further payment obligations once the contributions have been paid.

Housing fund benefits

The Company's contributions to the housing fund managed by the local government authorities whereby the Company are required to contribute to housing fund for its employees at fixed rates of the employees' salary costs. The contributions to housing fund are expensed as incurred. The Company has no further payment obligations once the contributions have been paid.

(b) *Retirement benefit*

The employees of the Company in mainland China participate in the defined contribution pension schemes managed by the local government authorities whereby the Company is required to contribute to the schemes at fixed rates of the employees' salary costs on a mandatory basis.

In addition to the local governmental defined contribution pension schemes, the employees of the Company also participate in a supplementary pension scheme launched by the Company managed by an independent insurance company whereby the Company is required to make contributions to the supplementary pension schemes at fixed rates of the employees' salary costs or in accordance with the terms of the plan, on a contractual and voluntary basis.

The Company's contributions to these plans mentioned above are charged to profit or loss when incurred. The Company has no further payment obligations once the contributions have been paid

The Company has no other retirement and post-retirement benefits of employees during the Track Record Period.

(c) *Termination benefits*

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. For the Track Record Period, the Company does not have material termination benefits.

2.18 ***Provisions***

Provisions for legal claims and other obligations are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.19 ***Revenue from contracts with customers***

The Company's operating revenues arise primarily from the Tower business, the DAS business and the Trans-sector site application and information business. During the Track Record Period, the major customers and tenants of the Company are the Three Telecom Operators in mainland China, namely China Mobile Company, China Unicom Corporation and China Telecom. Other customers include other telecommunication service providers, wireless data providers, government agencies and other users in mainland China. The Tower business, the DAS business and the Trans-sector site application and information business that comprise multiple components are as below:

- Tower business - The Company's Tower business includes macro cell business and small cell business to the Three Telecom Operators, both businesses comprise the following multiple components:

  (i) *Provision of Site Space*

  The Company provides towers and shelters or cabinets, and ancillary equipment to the Three Telecom Operators' for installation of their telecommunications equipment.

  (ii) *Maintenance services*

  The maintenance services includes monitoring equipment operations, routine inspection, device breakdown handling, property upkeep, working environment protection and operation analysis. Through the maintenance services, the company assists its customers to maintain continuous functioning of their equipment.

  (iii) *Power services*

  The Company provides power access, batteries or back up power generation to the customers' telecommunications equipment. Utility electricity can be provided to the Company's customers through the power access. In the event of a disruption in utility electricity, the Company provides backup power assurance from batteries. In addition, the Company generates power using gasoline or diesel generators to customers' telecommunications equipment in case that both utility electricity is disrupted and the Company's batteries are exhausted.

- DAS business

The Company provides DAS system to the Three Telecom Operators for connecting their telecommunication equipment, helping them to receive and send indoor mobile telecommunication network signals, and to enable mobile telecommunication network signals covering buildings, large venues and tunnels (i.e. subway, high-speed railways and highways).

- Trans-sector site application and information business

The Company provides various services to customers from different industries mainly based on its site resources as well as power supply, maintenance platform, data transmission network, apart from mounting various types of equipment for customers and maintaining their normal operation, to satisfy customers' requirements of collecting, transmission or application of data information.

The Company entered into the Commercial Price Agreements and related individual site contracts with the Three Telecom Operators for the Tower business and DAS business. The agreements with the Three Telecom Operators consist of multiple components as stated above that are distinct and delivered separately. The total transaction price, as determined on a cost plus basis with adjustment for co-sharing, is allocated to the provision of Site Space, the Maintenance services, the Power services and the DAS services based on the relative stand-alone selling prices. The stand-alone selling prices are determined based on the expected cost plus margin approach.

The Company, as a lessor, accounts for the provision of Site Space as operating lease (see Note 4.2 for details), such revenue is recognised on a straight-line basis over the lease period. The Company recognises revenues for the Maintenance services, Power services, the DAS services and others when these services are rendered.

Contracts with customers other than the Three Telecom Operators generally include multiple components of services. The performance obligations are generally met over time in the same period and with the same pattern. Accordingly, they are accounted for as a single trans-sector site application and information services revenue and recognised when these services are rendered.

Amounts disclosed as operating revenue are net of returns, discount, valued-added taxes ("VAT") of the PRC.

According to the prices stated in the contracts signed by the Company and its customers, the Company issues bills to its customers for the services rendered by the end of each month, and the bills are usually payable within 1-3 months. Accordingly, receivable is recorded and there is generally no contract assets or liabilities nor no significant financing component.

For the business involving third parties in providing services to the customers, since the Company has sole discretion in determining the pricing, takes full responsibility of these services provided to the customers, and also is responsible for the customers' complaints and requests, the Company considers it control the specified services before their delivery to its customers and is a principal in the transactions. Accordingly, the Company recognises revenues under the business aforementioned based on the gross amount of services.

2.20 ***Interest income***

Interest income is recognised as it accrues using the effective interest method.

2.21 ***Leases***

The Company as lessee

As a lessee, the Company leases certain office premises, telecommunication tower site properties (the "Site Properties") and equipment during its operations. Leases of property and equipment where the Company, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property and equipment or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Company will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

The Company as lessor

Lease revenue from operating leases, such as the revenue from the provision of Site Space, where the Company is a lessor is recognised in the statement of comprehensive income on a straight-line basis over the lease term with rentals payable monthly. Continent rents are recognised as incurred. The respective leased assets are included in the balance sheet based on their nature.

2.22 ***Government grants***

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred revenue and are credited to the statement of comprehensive income on a straight-line basis over the expected useful lives of the related assets.

2.23 ***Related parties***

According to International Accounting Standard 24 "Related Party Disclosures", the definition of a related party includes the following persons and entities:

(a) A person (or a close member of that person's family) is related to the Company if the person:

(i) has control or joint control over the Company

(ii) has significant influence over the Company, or

(iii) is a member of the key management personnel of the Company, or of a parent of the Company.

(b) The Company (A) is related to another entity (B) if:

(i) A and B are members of the same group (that is all entities within a group are related to each other)

(ii) A is an associate or joint venture of B. In this case A is related to all members of the group that B belongs to

(iii) A and B are joint ventures of the same third party, C

(iv) A is a joint venture of C and B is an associate of C (or vice versa)

(v) B is a post-employment benefit plan for the benefit of employees of A or an entity related to A. If A is itself a post-employment benefit plan, any sponsoring employers are also related to A

(vi) B is controlled or jointly controlled by a person identified in (a) above

(vii) a person who has control or joint control over A has significant influence over B or is a member of the key management personnel of B, or

(viii) B (or any member of the group of which B is a part) provides key management personnel services to A or A's parent.

In this definition, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

2.24 ***Dividend***

Dividend to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

3 Financial risk management

3.1 *Financial risk factors*

The Company's activities expose it to a variety of financial risks: market risk (such as cash flow and fair value interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Financial risk management is carried out by the Company's headquarter financial department ("Finance Department") under the policies approved by the board of directors. The Finance Department identifies and evaluates financial risks in close co-operation with the Company's operating branches or units.

(a) *Market risk*

(i) Foreign exchange risk

The Company's operations are substantially located in the PRC mainland and transacted at RMB. As at 31 December 2015, 2016 and 2017 and 31 March 2018, the Company has no material foreign currency assets, liabilities, and financial derivatives. As a result, there is no material foreign exchange risk.

(ii) Interest rate risk

The Company's interest rate risk arises from long-term interest-bearing liabilities. Borrowings obtained at variable rates expose the Company to cash flow interest rate risk, which is partially offset by cash at banks held at variable rates. Borrowings obtained at fixed rates expose the Company to fair value interest rate risk. As at 31 December 2017 and 31 March 2018, the Company's borrowings are denominated in RMB.

The Company analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, and alternative financing. Based on these scenarios, the Company calculates the impact on profit and loss of a defined interest rate shift applicable to the Company. The scenarios are run only for liabilities that represent the major interest-bearing positions.

Based on the prevailing market conditions, the Company would determine an appropriate level of exposure arising from cash flow interest rate risk and fair value interest rate risk. Then the Company adjusts the levels of borrowings at variable rates and fixed rates, depending on the assessment of the interest exposure. As at 31 December 2015, 2016 and 2017 and 31 March 2018, the Company's long-term bank borrowings at variable rates amounted to nil, nil, RMB 35,200 million and RMB 39,600 million, respectively.

For the purpose of reducing interest rate exposure, the Company may enter fixed-to-floating interest rate swap arrangement. During each of the years ended 31 December 2015, 2016 and 2017 and the three months ended 31 March 2018, the Company has no position in interest rate swap. For the three months ended 31 March 2017 and 2018 and the years ended 31 December 2015, 2016 and 2017, based on the simulations performed, assuming interest rates increase/decrease by 100 basis points, the Company's profit for the year will decrease/increase by RMB nil, RMB 72 million, nil, nil and RMB 2.3 million due from long-term borrowings at variable rates.

(b) *Credit risk*

Credit risk is managed by sources, including cash at banks, deposits with banks and other financial institutions, as well as credit exposures to customers and other debtors, including outstanding receivables and committed transactions.

Since bank deposits are mainly placed with state-owned banks and other large-scale listed financial institutions, the Company considers that there is no material credit risk regarding the deposits with banks and other financial institutions.

As for trade and other receivables, the Company has credit policy to monitor the level of credit risk. In general, the credit record and credit period for each customer or debtor are regularly assessed, based on the customer's or debtor's financial condition, their capacity to obtain guarantee from third parties, their credit records and other factors such as current market condition. The Company is sensitive to changes in the creditworthiness and financial strength of its main customers due to the importance of these key customers to the overall revenues.

Given the nature of the Company's business, it has significant concentrations of credit risk, since there are significant trade receivable due from the Three Telecom Operators (the trade receivable balances due from the Three Telecom Operators were 100%, 99.8%, 99.4% and 99.2% of the Company's total trade receivable balances at 31 December 2015, 2016 and 2017 and 31 March 2018 respectively). To mitigate this credit risk, the Company timely monitors its receivable balances and all bills should be paid within one to three months that agreed with the Three Telecom Operators. Due to sound credit record and business goodwill, the credit risks of these three customers are assessed as low. For other third-party customers, the Company regularly monitors their credit records and takes the necessary actions to reduce and control the overall credit risk, such as sending written notice for payment, getting payment guarantee and shortening or cancelling credit period.

The Company considers the probability of default upon initial recognition of trade and other receivables which subsequently measured at amortised cost and whether there has been a significant increase in credit risk on an ongoing basis throughout the Track Record Period. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the trade and other receivables as at the balance sheet date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant changes to the debtor's ability to meet its obligations

- Actual or expected significant changes in the operating results of debtors

- Significant changes in the expected performance and behavior of the debtors, including changes in the payment status of debtors in the Company and changes in the operating results of the debtors

For trade receivables and other receivables from customers (mainly payments made on behalf of customers), the Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for these receivables due from third parties and related parties. Expected loss rate of these receivables from third parties and related parties arising from the ordinary course of business are assessed to be low because of the debtor's good background and reputation and no past due and default history. Thus, the loss allowance provision for such balances was not material and no loss allowance provision was recognised during the Track Record Period.

No credit limits were exceeded and no uncollectible receivables were identified during the Track Record Period, and management does not expect any significant losses from non-performance by these counterparties.

(c) *Liquidity risk*

Prudent liquidity risk management includes maintaining sufficient cash and ensuring the availability of funds. Given the nature of the Company's businesses, the policy of the Company's Finance Department is to maintain flexibility in funding through having adequate amount of cash and cash equivalents, utilising different sources of financing, and maintaining the availability of committed, unrestricted and unutilised revolving bank credit facilities at its headquarter.

The Company invests surplus cash in short-term time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room. As at 31 December 2015, 2016 and 2017 and 31 March 2018, the Company holds cash and cash equivalents of RMB 13,653 million, RMB 17,249 million, RMB 7,852 million and RMB 7,221 million respectively to manage liquidity risk.

In addition, the Company considers that it has adequate liquidity and access to medium and long-term financings that enable the Company to meet working capital requirements and commitments for future capital expenditures.

The Finance Department monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash and cash equivalents to meet operational needs and capital expenditure requirements, while maintaining sufficient headroom on its undrawn committed, unrestricted and revolving committed bank credit facilities (Note 2.1.1). Such forecasting takes into consideration the Company's debt financing plans, covenant compliance (where applicable) and the economic environment.

The following table sets out the remaining contractual maturities at the balance sheet date of the Company's financial liabilities, which are based on the undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on prevailing rates at the balance sheet date) and the earliest date the Company would be required to repay:

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
At 31 December 2015						
Borrowings	23,884	27,407	13,513	1,344	4,336	8,214
Accounts payable and other payables excluding non-financial liabilities	22,605	22,605	22,605	—	—	—
Deferred consideration payables	94,299	102,093	14,862	87,231	—	—
	140,788	152,105	50,980	88,575	4,336	8,214
At 31 December 2016						
Borrowings	44,596	46,516	33,814	1,366	4,576	6,760
Accounts payable and other payables excluding non-financial liabilities	42,928	42,928	42,928	—	—	—
Asset-backed notes	4,937	5,092	5,092	—	—	—
Deferred consideration payables	90,499	94,246	94,246	—	—	—
	182,960	188,782	176,080	1,366	4,576	6,760

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
At 31 December 2017						
Borrowings	139,053	148,475	100,192	13,117	31,592	3,574
Accounts payable and other payables excluding non-financial liabilities	36,240	36,240	36,240	—	—	—
Deferred consideration payables	17,252	17,927	17,927	—	—	—
	192,545	202,642	154,359	13,117	31,592	3,574
At 31 March 2018						
Borrowings	144,624	153,399	100,888	13,269	35,678	3,564
Accounts payable and other payables excluding non-financial liabilities	33,659	33,659	33,659	—	—	—
Deferred consideration payables	15,737	16,251	16,251	—	—	—
	194,020	203,309	150,798	13,269	35,678	3,564

3.2 ***Capital management***

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with other telecom service providers, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total interest-bearing liabilities (including borrowings, asset-backed notes, and deferred consideration payables as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

	As at 31 December			As at 31 March
	2015	2016	2017	2018
	RMB million	RMB million	RMB million	RMB million
Total interest-bearing liabilities (Note 21)	118,183	140,032	156,305	160,361
Less: cash and cash equivalents (Note 19)	(13,653)	(17,249)	(7,852)	(7,221)
Net debt(1)	104,530	122,783	148,453	153,140
Total equity	125,476	125,552	127,495	127,875
Total capital(2)	230,006	248,335	275,948	281,015
Gearing ratio(1)/(2)	45.4%	49.4%	53.8%	54.5%

3.3 ***Fair value estimation***

The Company's financial instruments carried at fair value are analysed by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at 31 December 2015, 2016 and 2017 and 31 March 2018, the Company has no financial assets and financial liabilities measured at fair value. The financial assets and financial liabilities that are not carrying at fair values mainly include trade and other receivables, accounts payable, other payables, deferred consideration payables, asset-backed notes and borrowings. The Company measures these financial assets and financial liabilities at amortised cost. As at 31 December 2015, 2016 and 2017 and 31 March 2018, the Company considers that their carrying values approximate fair value due to the short maturity of the instruments and/or they are bearing interest at market rates.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 *Critical accounting estimates and assumptions*

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) *Estimated useful lives of property, plant and equipment*

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives. The Company reviews the estimated useful lives and residual values of the assets annually in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives and residual values are determined based on the Company's historical experience with similar assets, taking into account anticipated technological changes and other relevant factors that would affect their estimated useful lives. The depreciation expense for future periods would be adjusted if there are significant changes from previous estimates. The Company has changed the estimated useful lives of the Self-built Towers from 10 years to 20 years (Note 2.1.3).

(b) *Taxation*

The Company is subject to income taxes in mainland China. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

For temporary differences which give rise to deferred tax assets, the Company assesses the likelihood that the deferred tax assets could be recovered. Deferred tax assets are recognized based on the Company's estimates and assumptions that they will be recovered from taxable income arising from continuing operations in the foreseeable future.

(c) *Impairment of property, plant and equipment*

The Company's property, plant and equipment comprise a significant portion of the Company's total assets. Changes in technology, business or industry conditions may cause the estimated period of use or the value of these assets to change. Property, plant and equipment are reviewed at least annually to determine whether there is any indication of impairment.

The recoverable amount is estimated whenever events or changes in circumstances have indicated that their carrying amounts may not be recoverable. An impairment loss is recognised when the asset's carrying value exceeds its recoverable amount. The recoverable amount is determined based on the higher of an asset's fair value less costs of disposal and value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The Company uses all readily available information in determining a reasonable estimation of the recoverable amount, based on reasonable and supportable assumptions and projections of revenue and operating costs. Changes in these estimates could have a significant impact on the recoverable amounts of the assets and could result in further impairment charge in future periods.

4.2 ***Critical accounting judgement***

Classification of leases

As a lessor, the Company classifies its leases into either finance leases or operating leases in accordance with IAS 17 "Leases". Significant judgements and assumptions are required in the assessment of the lease classification. The determination of classification depends on whether the lease transfers substantially all the risks and rewards of the assets to the lessee. In particular, during the assessment, the Company estimates (i) economic lives of lease assets, (ii) the present value of minimum lease payments, and (iii) the fair value of the leased assets. Any future changes to these judgements or assumptions will affect the lease classification and hence the financial performance and financial position of the Company.

As described in Note 1.1, the Company entered into the Commercial Pricing Agreements with the Three Telecom Operators for the leasing of communication towers and related ancillary facilities. Pursuant to the terms of the Commercial Pricing Agreements, all the provincial branches of the Company have entered into provincial and individual tower agreements with the provincial subsidiaries/branches of the Three Telecom Operators, for the Tower business of individual tower sites based on the locational requirements of the Three Telecom Operators, across mainland China. Based on the Company's assessment, at the inception of the leasing of individual towers and related ancillary facilities, the 5 years lease terms does not account for the major part of the economic lives of the towers and the present values of the minimum lease payments from lessee are not considered substantial comparing with the fair values of the corresponding towers. At the end of the lease term, there is no purchase option granted to the Three Telecom Operators to purchase the individual towers. The Company therefore bears any gains or losses in the fluctuation of fair values of the towers at the end of the lease terms. Accordingly, the Company substantially bears all the risks and rewards incidental to the ownership of the towers, and hence accounts for the above leasing of towers and related ancillary facilities as operating leases.

5 Segment information

The executive director and senior management, as a decision making group, is the Company's chief operating decision-maker ("CODM"). The Company has determined the operating segments based on the information reviewed by the CODMs for the purposes of allocating resources and assessing performance. For the Track Record Period, the Company as a whole is an operating segment since the Company is only engaged in the telecommunications tower infrastructure services and related businesses.

All of the Company's long-lived assets are located in the mainland China and all the Company's revenues and operating profits are derived from the mainland China during the Track Record Period.

6 Operating revenue

The table below summarises the Company's operating revenues by business types:

	Year ended 31 December			Three months ended 31 March	
	2015	2016	2017	2017	2018
	RMB million	RMB million	RMB million	RMB million (Unaudited)	RMB million
Tower business (Note (i))	8,756	55,552	67,085	16,254	16,723
- Macro cell business	8,756	55,552	66,828	16,208	16,639
- Small cell business	—	—	257	46	84
DAS business	45	421	1,284	186	391
Trans-sector site application and information business	—	19	169	6	113
Others	1	5	127	3	17
	8,802	55,997	68,665	16,449	17,244

Note:

(i) The table below summarises the Company's Tower business revenue by nature:

	Year ended 31 December			Three months ended 31 March	
	2015	2016	2017	2017	2018
	RMB million	RMB million	RMB million	RMB million (Unaudited)	RMB million
Revenue from the provision of Site Space	7,551	46,976	56,559	13,753	14,099
Revenue from Services*	1,205	8,576	10,526	2,501	2,624
	8,756	55,552	67,085	16,254	16,723

* Revenue from Services primarily comprises of Maintenance services revenue and Power services revenue.

(ii) The major customers that contribute more than 10% of the total revenues of the Company are listed as below:

	Year ended 31 December			Three months ended 31 March	
	2015	2016	2017	2017	2018
	RMB million	RMB million	RMB million	RMB million (Unaudited)	RMB million
China Mobile Company and its subsidiaries	4,560	28,646	36,804	8,654	9,465
China Unicom Corporation	2,314	15,063	16,232	4,134	3,884
China Telecom	1,927	12,263	15,467	3,656	3,788
	8,801	55,972	68,503	16,444	17,137

For the years ended 31 December 2015, 2016 and 2017 and the three months ended 31 March 2017 and 2018, the revenue generated from the Three Telecom Operators accounted for 99.99%, 99.96%, 99.76%, 99.97% and 99.38% of the total revenue respectively.

(iii) In early 2018, after negotiations on arm's length basis, the Company entered into a supplemental agreement (the "Supplemental Agreement") to the Commercial Pricing Agreements with each of the China Mobile Company, China Unicom Corporation and China Telecom to amend certain pricing terms of the previous Commercial Pricing Agreements. The key amendments are the reduction of cost margin and increase of co-location discount rates for Tower business. The Supplemental Agreement to the Commercial Pricing Agreements have a term of five years and expire on 31 December 2022. These amendments have replaced the related terms previously set out in the Commercial Pricing Agreements. Should the above pricing term changes were made for the whole year of 2017, with other terms remaining unchanged, the revenue of the Company's Tower business would have decreased from RMB 67,085 million to RMB 62,986 million for the year ended 31 December 2017.

7 Employee benefits and expenses

	Year ended 31 December			Three months ended 31 March	
	2015	2016	2017	2017	2018
	RMB million	RMB million	RMB million	RMB million (Unaudited)	RMB million
Salaries and welfare	2,245	2,921	3,233	854	967
Retirement benefits (Note)	299	414	504	125	140
Contributions to medical insurance	167	222	266	66	73
Contributions to housing fund	129	186	226	53	60
	2,840	3,743	4,229	1,098	1,240

The employee benefits and expenses were incurred in respect of the services provided by the Company's employees (including temporary employees) during the Track Record Period.

Note: As stipulated by the Government regulations in the PRC, the Company is required to contribute to the state-sponsored retirement scheme for all of its employees in the PRC at 18% to 20% of the eligible salary of its employees on a monthly basis for the Track Record Period. The state-sponsored retirement scheme is responsible for the entire pension obligations payable to all retired employees and the Company has no further obligations for the actual pension payments or post-retirement benefits.

(a) ***Directors' remuneration***

Directors' remuneration during the three months ended 31 March 2018 is as follows:

	Director's fee	Salaries, allowances and bonuses	Contributions relating to social insurance, housing fund and retirement scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors				
TONG Jilu	—	178	38	216
Non-executive directors (Note (ii))				
LIU Aili	—	—	—	—
WANG Lei	—	—	—	—
ZHAO Fang	—	—	—	—
SHAO Guanglu	—	—	—	—
LI Zhangting	—	—	—	—
SUN Kangmin	—	—	—	—
SI Furong	—	—	—	—
MO Dewang (Note (i))	—	—	—	—
	—	—	—	—

Directors' remuneration during 2017 is as follows:

	Director's fee	Salaries, allowances and bonuses	Contributions relating to social insurance, housing fund and retirement scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors				
TONG Jilu (Note (iii))	—	800	148	948
Non-executive directors (Note (ii))				
LIU Aili	—	—	—	—
WANG Lei	—	—	—	—
ZHAO Fang	—	—	—	—
SHAO Guanglu	—	—	—	—
LI Zhangting	—	—	—	—
SUN Kangmin	—	—	—	—
SI Furong	—	—	—	—
MO Dewang (Note (i))	—	—	—	—
	—	—	—	—

Directors' remuneration during the three months ended 31 March 2017 is as follows:

	Director's fee	Salaries, allowances and bonuses	Contributions relating to social insurance, housing fund and retirement scheme	Total
(Unaudited)	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors				
TONG Jilu (Note (iii))	—	166	36	202
Non-executive directors (Note (ii))				
LIU Aili	—	—	—	—
WANG Lei	—	—	—	—
ZHAO Fang	—	—	—	—
SHAO Guanglu	—	—	—	—
LI Zhangting	—	—	—	—
SUN Kangmin	—	—	—	—
SI Furong	—	—	—	—
MO Dewang (Note (i))	—	—	—	—
	—	—	—	—

Directors' remuneration during 2016 is as follows:

	Director's fee	Salaries, allowances and bonuses	Contributions relating to social insurance, housing fund and retirement scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors				
TONG Jilu	—	842	140	982
Non-executive directors (Note (ii))				
LIU Aili	—	—	—	—
WANG Lei	—	—	—	—
ZHAO Fang	—	—	—	—
SHAO Guanglu	—	—	—	—
LI Zhangting	—	—	—	—
SUN Kangmin	—	—	—	—
SI Furong	—	—	—	—
MO Dewang (Note (i))	—	—	—	—
	—	—	—	—

Directors' remuneration during 2015 is as follows:

	Director's fee	Salaries, allowances and bonuses	Contributions relating to social insurance, housing fund and retirement scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors				
TONG Jilu	—	824	131	955
Non-executive directors (Note (ii))				
LIU Aili	—	—	—	—
WANG Lei	—	—	—	—
ZHAO Fang	—	—	—	—
SHAO Guanglu	—	—	—	—
LI Zhangting	—	—	—	—
SUN Kangmin	—	—	—	—
SI Furong	—	—	—	—
	—	—	—	—

Note:

(i) Mr. MO Dewang was appointed as a non-executive director of the Company with effect from January 2016. During the Track Record Period, no director resigned or retired.

(ii) The non-executive directors of the Company received emoluments for their services from the related parties. No apportionment has been made as these directors of the Company consider it is impractical to apportion their emoluments between the Company and the related parties according to their services provided.

(iii) In addition to the director's remuneration in the table, as approved by the board of directors, a special bonus amounted to RMB 90 thousand was paid to Mr. Tong Jilu for his past performance in 2017.

(b) **Five highest paid individuals**

The five individuals whose emoluments were the highest in the Company for the years ended 31 December 2015, 2016 and 2017 and the three months ended 31 March 2017 and 2018 include 1, Nil, Nil, Nil and Nil director whose emoluments are reflected in the analysis shown in Note 7(a). The emoluments payable to the remaining 4, 5, 5, 5 and 5 individuals during the years ended 31 December 2015, 2016 and 2017 and three months ended 31 March 2017 and 2018 are as follows:

	Year ended 31 December			Three months ended 31 March	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (Unaudited)**	**RMB'000**
Salaries, allowances and welfare	1,635	1,720	1,671	642	419
Performance related bonuses	1,680	3,398	3,456	1,243	1,192
Retirement benefits	301	691	719	111	115
	3,616	5,809	5,846	1,996	1,726

The emoluments fell within the following bands:

	Year ended 31 December			Three months ended 31 March	
	2015	**2016**	**2017**	**2017**	**2018**
				(Unaudited)	
Emolument bands (in HK dollar)					
HKD 1,000,000 to HKD 2,000,000	4	5	5	—	—
Nil to HKD 1,000,000	—	—	—	5	5

8 Other operating expenses

Other operating expenses mainly represent power generation charges, site operation and support expenses, loss on disposal of property and equipment, operating leasing charges for office premises (as lessee), property management expenses and utilities, other taxes and surcharges (excluding value-added tax and income tax), professional fees and other miscellaneous expenses (such as travelling and communications expenses).

	Year ended 31 December			Three months ended 31 March	
	2015	2016	2017	2017	2018
	RMB million	RMB million	RMB million	RMB million (Unaudited)	RMB million
Power generation charges (Note)	168	1,525	2,189	370	430
Site operation and support expenses (Note)	473	1,295	1,668	361	429
Loss on disposal of property and equipment	5	632	1,330	267	185
Office lease, property management expenses and utilities	344	513	580	128	150
Other taxes and surcharges	125	137	159	42	34
Auditors' remuneration	3	4	4	—	—

Note: Power generation charges are expenditures incurred during electric power generation, such as diesel oil and outsourcing expenditures.

Site operation and support expenses primarily comprise site planning and monitoring expenses and the charges of vehicles and transportation incurred during the daily operation of each site.

9 Finance costs

	Year ended 31 December			Three months ended 31 March	
	2015	2016	2017	2017	2018
	RMB million	RMB million	RMB million	RMB million (Unaudited)	RMB million
Interest on borrowings	86	1,293	1,437	317	1,510
Interest on deferred consideration payables	661	4,031	3,987	996	175
Interest on Asset-backed notes	—	7	135	38	—
Less: Amounts capitalised in CIP (Note)	—	(254)	(276)	(63)	(47)
	747	5,077	5,283	1,288	1,638

Note: The interest rate range of amounts capitalised in CIP in 2015, 2016 and 2017 are Nil, 2.64%-3.96%, 3.06%-3.80% per annum, respectively; the interest rate range of amounts capitalised in CIP in the three months ended 31 March 2017 and 2018 are 3.06%-3.72% and 4.08%-4.36% per annum, respectively.

10 Income tax (credits)/expenses

The Company and its provincial branches file the PRC enterprise income tax on a consolidated basis. The provision for the PRC enterprise income tax is based on the applicable tax rate on the estimated taxable profits determined in accordance with the relevant enterprise income tax rules and regulations of the PRC.

Taxation in the statement of comprehensive income represents:

	Year ended 31 December			Three months ended 31 March	
	2015	2016	2017	2017	2018
	RMB million	RMB million	RMB million	RMB million (Unaudited)	RMB million
Current tax					
Current tax on estimated taxable profits for the year	—	—	223	—	65
Deferred tax (Note 15)					
Origination and reversal of temporary differences	(1,150)	30	519	162	53
Income tax (credits)/expenses	(1,150)	30	742	162	118

The tax on the Company's (loss)/profit before tax differs from the theoretical amount that would arise using the PRC statutory income tax rate applicable to the Company as follows:

	Year ended 31 December			Three months ended 31 March	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB million	**RMB million**	**RMB million**	**RMB million (Unaudited)**	**RMB million**
(Loss)/profit before income tax	(4,746)	106	2,685	646	498
Tax at PRC statutory tax rate of 25%	(1,187)	26	671	161	125
Rate differential of certain provincial branches of the Company (Note)	—	—	(13)	—	(8)
Adjustment of deferred tax assets due to tax rate changes (Note)	—	—	79	—	—
Tax effect of non-deductible expenses	37	4	5	1	1
Income Tax (credits)/expenses	(1,150)	30	742	162	118

Note: According to the circular of "Deeply Implementation of the western development strategy taxation policy" (Caishui [2011] No.58) issued by the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs of the PRC and relevant PRC enterprise income tax regulations, entities that are qualified and located in certain western provinces of mainland China are entitled to a preferential income tax rate of 15%, certain branches of the Company obtained the approval in May 2017 and were entitled to this preferential income tax rate of 15% until 2020. The adjustment to deferred tax assets due to the decrease of tax rate of these provincial branches was recorded in profit and loss during the year ended 31 December 2017.

11 **Basic and diluted (loss)/earnings per share**

(a) ***Basic***

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the years.

	Year ended 31 December			Three months ended 31 March	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB million	**RMB million**	**RMB million**	**RMB million (Unaudited)**	**RMB million**
(Loss)/profit attributable to owners of the Company	(3,596)	76	1,943	484	380
Weighted average number of ordinary shares in issue (million)	29,891	129,345	129,345	129,345	129,345
Basic (loss)/earnings per share (in RMB Yuan)	(0.1203)	0.0006	0.0150	0.0037	0.0029

(b) ***Diluted***

During the years ended 31 December 2015, 2016 and 2017 and the three months ended 31 March 2017 and 2018, there were no potential dilutive ordinary shares and diluted (loss)/earnings per share was equal to basic (loss)/earnings per share.

12 **Property, plant and equipment**

	Towers and ancillary facilities	Machinery and electronic devices	Office facilities and others	Total
	RMB million	RMB million	RMB million	RMB million
Year ended 31 December 2015				
Cost:				
Opening net book amount	39	113	75	227
Transfer from CIP	23,878	4,543	13	28,434
Additions (Note)	158,056	22,207	110	180,373
Disposals	(12)	(1)	—	(13)
Closing balance	181,961	26,862	198	209,021
Accumulated depreciation:				
Opening balance	(8)	—	—	(8)
Charge for the year	(3,404)	(1,710)	(21)	(5,135)
Disposals	8	—	—	8
Closing balance	(3,404)	(1,710)	(21)	(5,135)
Closing net book amount	178,557	25,152	177	203,886
At 31 December 2015				
Cost	181,961	26,862	198	209,021
Accumulated depreciation	(3,404)	(1,710)	(21)	(5,135)
Net book amount	178,557	25,152	177	203,886
Year ended 31 December 2016				
Cost:				
Opening net book amount	181,961	26,862	198	209,021
Transfer from CIP	49,606	17,762	13	67,381
Additions (Note)	1,171	1,378	226	2,775
Disposals	(820)	(370)	(2)	(1,192)
Closing balance	231,918	45,632	435	277,985
Accumulated depreciation:				
Opening balance	(3,404)	(1,710)	(21)	(5,135)
Charge for the year	(20,495)	(7,010)	(54)	(27,559)
Disposals	292	205	—	497
Closing balance	(23,607)	(8,515)	(75)	(32,197)
Closing net book amount	208,311	37,117	360	245,788
At 31 December 2016				
Cost	231,918	45,632	435	277,985
Accumulated depreciation	(23,607)	(8,515)	(75)	(32,197)
Net book amount	208,311	37,117	360	245,788

	Buildings	Towers and ancillary facilities	Machinery and electronic devices	Office facilities and others	Total
	RMB million	RMB million	RMB million	RMB million	RMB million
Year ended 31 December 2017					
Cost:					
Opening net book amount	—	231,918	45,632	435	277,985
Transfer from CIP	—	34,852	9,948	6	44,806
Additions	587	141	490	340	1,558
Disposals	—	(1,712)	(739)	(1)	(2,452)
Closing balance	587	265,199	55,331	780	321,897
Accumulated depreciation:					
Opening balance	—	(23,607)	(8,515)	(75)	(32,197)
Charge for the year	(2)	(24,294)	(8,220)	(82)	(32,598)
Disposals	—	622	413	1	1,036
Closing balance	(2)	(47,279)	(16,322)	(156)	(63,759)
Closing net book amount	585	217,920	39,009	624	258,138
At 31 December 2017					
Cost	587	265,199	55,331	780	321,897
Accumulated depreciation	(2)	(47,279)	(16,322)	(156)	(63,759)
Net book amount	585	217,920	39,009	624	258,138
Three months ended 31 March 2018					
Cost:					
Opening net book amount	587	265,199	55,331	780	321,897
Transfer from CIP	—	3,524	1,117	40	4,681
Additions	1	15	17	12	45
Disposals	—	(303)	(102)	—	(405)
Closing balance	588	268,435	56,363	832	326,218
Accumulated depreciation:					
Opening balance	(2)	(47,279)	(16,322)	(156)	(63,759)
Charge for the period	(5)	(5,687)	(2,314)	(25)	(8,031)
Disposals	—	140	51	—	191
Closing balance	(7)	(52,826)	(18,585)	(181)	(71,599)
Closing net book amount	581	215,609	37,778	651	254,619
At 31 March 2018					
Cost	588	268,435	56,363	832	326,218
Accumulated depreciation	(7)	(52,826)	(18,585)	(181)	(71,599)
Net book amount	581	215,609	37,778	651	254,619

	Buildings	Towers and ancillary facilities	Machinery and electronic devices	Office facilities and others	Total
	RMB million	RMB million	RMB million	RMB million	RMB million
(unaudited)					
Three months ended 31 March 2017					
Cost:					
Opening net book amount	—	231,918	45,632	435	277,985
Transfer from CIP	—	6,382	1,717	84	8,183
Additions	35	340	91	3	469
Disposals	—	(364)	(68)	—	(432)
Closing balance	35	238,276	47,372	522	286,205
Accumulated depreciation:					
Opening balance	—	(23,607)	(8,515)	(75)	(32,197)
Charge for the period	—	(5,892)	(1,930)	(13)	(7,835)
Disposals	—	111	35	—	146
Closing balance	—	(29,388)	(10,410)	(88)	(39,886)
Closing net book amount	35	208,888	36,962	434	246,319
At 31 March 2017					
Cost	35	238,276	47,372	522	286,205
Accumulated depreciation	—	(29,388)	(10,410)	(88)	(39,886)
Net book amount	35	208,888	36,962	434	246,319

Note: As mentioned in Note 1.1, the Company completed the purchase of Tower Assets on 31 October 2015, and the related properties and equipment of approximately RMB 179,789 million was included in the Company's addition of property, plant and equipment in 2015. In 2016, the Company purchased additional properties and equipment of approximately RMB 2,768 million from the Three Telecom Operators (see Note 29 (a)(vi)).

13 Construction in progress

	As at 31 December			As at 31 March
	2015	2016	2017	2018
	RMB million	RMB million	RMB million	RMB million
Balance at 1 January	213	19,807	13,592	10,930
Additions (Note)	48,028	61,166	42,144	3,757
Transferred to property, plant and equipment	(28,434)	(67,381)	(44,806)	(4,681)
Balance at 31 December	19,807	13,592	10,930	10,006

Note: As mentioned in Note 1.1, the Company purchased CIP of approximately RMB 14,911 million in the acquisition of Tower Assets, which completed on 31 October 2015.

14 **Long-term prepayments**

Long-term prepayments mainly represent the prepayments for site ground lease for period from 3 to 10 years generally and land use rights of tower sites for period from 10 to 30 years generally. For the years ended 31 December 2015, 2016 and 2017 and the three months ended 31 March 2017 and 2018, the amortisation of land use rights amounted to approximately RMB 3 million, RMB 25 million, RMB 32 million, RMB 7 million and RMB 8 million, respectively.

The Company owns many tower site properties ("Site Properties") such as land use rights or site lease contracts for its operation in mainland China. As at 31 March 2018, some of the Company's Site Properties had incomplete title issues due to lack of title certificates, documents of lease or sublease rights and other reasons. Despite of the fact that the Company has continued to operate these Site Properties, as at the date of this report, the Company is in the process of rectifying the above issues. The Company believes that such issues will not have any material adverse impact on the Company's business operations, financial performance or financial condition, taken into consideration various factors, including the protection of these Site Properties by the relevant policies and regulations for wireless communications networks in the PRC and the ability to redeploy the related tower sites without incurring significant costs etc.

15 **Deferred income tax assets**

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	As at 31 December			As at 31 March
	2015	**2016**	**2017**	**2018**
	RMB million	**RMB million**	**RMB million**	**RMB million**
Deferred tax assets:				
- Deferred tax asset to be recovered after more than 12 months	1,310	—	—	—
- Deferred tax asset to be recovered within 12 months	70	1,280	689	636
	1,380	1,280	689	636
Deferred tax liabilities:				
- Deferred tax liability to be recovered after more than 12 months	72	—	—	—
- Deferred tax liability to be recovered within 12 months	70	72	—	—
	142	72	—	—
Deferred tax assets (net)	1,238	1,208	689	636

The movement in deferred income tax assets and liabilities during the Track Record Period are as follows:

	At 31 December 2014	(Charged)/ credited to profit or loss	Charged to other comprehensive income	Credited directly to equity	At 31 December 2015
	RMB million	RMB million	RMB million	RMB million	RMB million
Deferred tax assets arising from:					
Tax losses	88	642	—	—	730
Accrued expenses	—	501	—	—	501
Unwinding finance cost	—	142	—	—	142
Deferred revenue	—	7	—	—	7
	88	1,292	—	—	1,380
Deferred tax liabilities arising from:					
Depreciation allowances in excess of related depreciation	—	(142)	—	—	(142)
	—	(142)	—	—	(142)
Deferred tax assets, net	88	1,150	—	—	1,238

	At 31 December 2015	(Charged)/ credited to profit or loss	Charged to other comprehensive income	Credited directly to equity	At 31 December 2016
	RMB million	RMB million	RMB million	RMB million	RMB million
Deferred tax assets arising from:					
Tax losses	730	137	—	—	867
Accrued expenses	501	(172)	—	—	329
Unwinding finance cost	142	(70)	—	—	72
Deferred revenue	7	5	—	—	12
	1,380	(100)	—	—	1,280
Deferred tax liabilities arising from:					
Depreciation allowances in excess of related depreciation	(142)	70	—	—	(72)
	(142)	70	—	—	(72)
Deferred tax assets, net	1,238	(30)	—	—	1,208

	At 31 December 2016	(Charged)/ credited to profit or loss	Charged to other comprehensive income	Credited directly to equity	At 31 December 2017
	RMB million	RMB million	RMB million	RMB million	RMB million
Deferred tax assets arising from:					
Tax losses	867	(867)	—	—	—
Accrued expenses	329	350	—	—	679
Unwinding finance cost	72	(72)	—	—	—
Deferred revenue	12	(2)	—	—	10
	1,280	(591)	—	—	689
Deferred tax liabilities arising from:					
Depreciation allowances in excess of related depreciation	(72)	72	—	—	—
	(72)	72	—	—	—
Deferred tax assets, net	1,208	(519)	—	—	689

	At 31 December 2017	(Charged)/ credited to profit or loss	Charged to other comprehensive income	Credited directly to equity	At 31 March 2018
	RMB million	RMB million	RMB million	RMB million	RMB million
Deferred tax assets arising from:					
Tax losses	—	—	—	—	—
Accrued expenses	679	(56)	—	—	623
Unwinding finance cost	—	—	—	—	—
Deferred revenue	10	3	—	—	13
	689	(53)	—	—	636
Deferred tax liabilities arising from:					
Depreciation allowances in excess of related depreciation	—	—	—	—	—
	—	—	—	—	—
Deferred tax assets, net	689	(53)	—	—	636

As at 31 December 2015, 2016 and 2017 and 31 March 2018, there is no unrecognised deferred tax assets in respect of the deductible temporary differences and unused tax losses.

16 **Other non-current assets**

	As at 31 December			As at 31 March
	2015	2016	2017	2018
	RMB million	RMB million	RMB million	RMB million
Input VAT recoverable - non-current portion (Note (i))	—	6,081	12,337	12,789
Others (Note (ii))	5	49	122	125
	5	6,130	12,459	12,914

Note:

(i) Input VAT recoverable represents the excess of input VAT over output VAT during the Track Record Period. The input VAT recoverable can be carried forward indefinitely to set-off future output VAT in following periods according to the relevant VAT regulations of the PRC. The Company obtained the VAT input from its purchase of assets (i.e. towers, equipment and property) and services that are subject to VAT in PRC.

(ii) Others primarily include purchased software used by the Company, which are recognised at their initial costs and amortised over their estimated useful lives (generally 5-10 years). For the years ended 31 December 2015, 2016 and 2017 and the three months ended 31 March 2017 and 2018, the amortisation of software amounted to Nil, RMB 1 million, RMB 12 million, RMB 1 million and RMB 2 million, respectively.

17 **Trade and other receivables**

	As at 31 December			As at 31 March
	2015	2016	2017	2018
	RMB million	RMB million	RMB million	RMB million
Trade receivables (Note (a))	9,430	10,852	10,926	14,357
Less: allowance for impairment of trade receivables	—	—	—	—
Trade receivables - net	9,430	10,852	10,926	14,357
Receivables from shareholders (Note (b)(i))	10,727	—	—	—
Deposits (Note (b)(ii))	157	790	689	338
Payments on behalf of customers (Note (b)(iii))	220	4,128	3,639	4,619
Others	3	19	8	15
Other receivables	11,107	4,937	4,336	4,972
Trade and other receivables	20,537	15,789	15,262	19,329

As at 31 December 2015, 2016 and 2017 and 31 March 2018, trade and other receivables were primarily denominated in RMB and their carrying amounts approximated their fair values.

Note:

(a) **Trade receivables**

Aging analysis of the Company's gross trade receivables based on the billing at the respective balance sheet dates is as follows:

	As at 31 December			As at 31 March
	2015	2016	2017	2018
	RMB million	RMB million	RMB million	RMB million
Up to 3 months	9,430	10,852	10,926	14,348
3 to 6 months	—	—	—	9
	9,430	10,852	10,926	14,357

Trade receivables are analysed by customers:

	As at 31 December			As at 31 March
	2015	2016	2017	2018
	RMB million	RMB million	RMB million	RMB million
China Mobile Company and its subsidiaries	4,894	5,126	6,216	7,930
China Unicom Corporation	2,477	3,277	1,983	2,924
China Telecom	2,059	2,431	2,660	3,392
Others	—	18	67	111
	9,430	10,852	10,926	14,357

Trade receivables primarily comprise receivables from the Three Telecom Operators. Trade receivables from customers are mainly due for payment within one to three months from the date of billing. Customers with balances that are overdue or exceed credit limits are required to settle all outstanding balances before any further services can be provided. As at 31 December 2015, 2016 and 2017 and 31 March 2018, there was no trade receivable past due and impaired.

(b) **Other receivables**

(i) These receivables as of 31 December 2015 were due from China Telecom and China Reform for the Company's new shares issuance, which were unsecured, interest free, and fully collected in February 2016 (see Note 1.1).

(ii) Deposits primarily include deposits for site ground lease and office premises lease or building and equipment purchase. The carrying amount of deposits do not differ significantly from their fair values.

(iii) Payments on behalf of customers mainly represent the payments made by the Company to third parties, on behalf of customers, for certain sites electric power charges when the Company provides the services of power access to its customers and acting as an agent.

(c) **Impairment**

The Company applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for trade receivables and payments on behalf of customers. To measure the expected credit losses, these receivables have been grouped based on shared credit risk characteristics and the aging from billing.

As at 31 December 2015, 2016 and 2017 and 31 March 2018, trade receivables and payments on behalf of customers with amounts that are individually significant have been separately assessed for impairment. The Company makes periodic assessments on the recoverability of the receivables based on the background and reputation of the customers, historical settlement records and past experience. Since there has not been any history of default payments by existing customers, so management considers that the expected credit loss is close to zero, and no provision for impaired receivables has been made during the Track Record Period.

As of 31 December 2015, 2016 and 2017 and 31 March 2018, the above other receivables other than the payments on behalf of customers were considered to have low credit risks. Based on management assessment, no impairment provision has been made during the Track Record Period.

18 Prepayments and other current assets

	As at 31 December			As at 31 March
	2015	2016	2017	2018
	RMB million	RMB million	RMB million	RMB million
Advance prepayments (Note)	1,966	1,717	2,546	3,046
Input VAT recoverable - Current portion (Note 16 (i))	952	4,807	4,829	4,791
	2,918	6,524	7,375	7,837

Note:

Advance payment mainly represents prepaid rentals to the landlords of ground lease sites that to be amortised in one year and prepaid electric powers charges of certain tower sites.

19 Cash and cash equivalents

	As at 31 December			As at 31 March
	2015	2016	2017	2018
	RMB million	RMB million	RMB million	RMB million
Cash at bank and on hand	13,653	17,249	7,852	7,221

The cash at bank and on hand are substantially denominated in RMB. The weighted average effective interest rate ranges from 0.24% to 1.51% per annum for each of the years ended 31 December 2015, 2016 and 2017 and the three months ended 31 March 2017 and 2018.

20 **Share capital**

Ordinary shares, issued and fully paid:

	Number of Shares (million)	Share capital RMB million
Issue of ordinary shares upon incorporation (Note (a))	10,000	10,000
Issuance of shares in 2015 (Note (b))	119,345	119,345
At 31 December 2015, 2016 and 2017 and 31 March 2018 (RMB 1.00, par value)	129,345	129,345

Note:

(a) Upon the establishment of the Company, China Mobile Company, China Unicom Corporation and China Telecom subscribed for 4,000 million shares, 3,010 million shares and 2,990 million shares of the Company, respectively, in cash, at a par value of RMB 1.00 per share.

(b) As mentioned in Note 1.1, after the completion of purchase of the Tower Assets, the Company issued 10,727 million new shares to China Telecom and China Reform, and 108,618 million new shares to China Mobile Company, China Unicom Corporation and China Telecom as part of the consideration of the Tower Assets in 2015.

As at 31 December 2015, 2016 and 2017 and 31 March 2018, the share capital of the Company amounted to RMB 129,345 million, consisting of 129,345 million shares with a par value of RMB 1.00 per share. China Mobile Company, China Unicom Corporation, China Telecom and China Reform hold 38.0%, 28.1%, 27.9% and 6.0% of the equity interests in the Company, respectively.

21 **Interest-bearing liabilities**

(a) ***Borrowings***

	As at 31 December			As at 31 March
	2015	2016	2017	2018
	RMB million	RMB million	RMB million	RMB million
Borrowings:				
Long-term borrowings (Note (i))				
- General Borrowings	—	—	35,200	39,600
- Preferential Borrowings	10,984	13,446	10,524	10,485
	10,984	13,446	45,724	50,085
Less: Current portion	—	(1,166)	(1,931)	(1,890)
Balance presented in non-current liabilities:	10,984	12,280	43,793	48,195
Short-term borrowings (Note (ii))	12,900	31,150	93,329	94,539
Long-term borrowings - Current portion	—	1,166	1,931	1,890
Balance presented in current liabilities:	12,900	32,316	95,260	96,429

Note:

(i) In 2015 and 2016, the Company obtained unsecured long-term RMB denominated loans from China Development Bank via China Development Fund Co., Ltd (the "Preferential Borrowings") at a preferential interest rate, as the government granted a loan interest subsidy to the Company. The Preferential Borrowings mature in 10 years and are mainly used for telecommunications network and broadband infrastructure improvements in certain rural areas of China. As at 31 December 2015, 2016 and 2017 and 31 March 2018, the carrying amount of the Preferential Borrowings amounted to RMB 10,984 million, RMB 13,446 million, RMB 10,524 million and RMB 10,485 million, respectively. The Company initially recognised the Preferential Borrowings at fair value based on the then prevailing borrowing interest rates in the PRC. The interest subsidy was recognised as a government grant and recorded in deferred revenue, which was amortised to the statement of comprehensive income to match with the related interest expenses.

In December 2017, the Company obtained unsecured general long-term bank borrowings (the "General Borrowings") with maturity of 2 to 5 years, and the carrying amount of the General Borrowings were RMB 35,200 million at 31 December 2017 and 31 March 2018.

During the three months ended 31 March 2018, the Company obtained unsecured General Borrowings with maturity of 2 to 3 years again, and the carrying amount of these General Borrowings were RMB 4,400 million at 31 March 2018.

For the years ended 31 December 2015, 2016 and 2017 and the three months ended 31 March 2017 and 2018, the effective interest rates of all long-term borrowings were 4.41%, 4.41%, 4.41% to 4.75%, 4.41%, and 4.41% to 4.75% per annum, respectively.

(ii) As at 31 December 2015, 2016 and 2017 and 31 March 2018, short-term bank borrowings amounted to RMB 9,900 million, RMB 26,500 million, RMB 74,020 million and RMB 79,330 million respectively. In addition, short-term borrowings include short-term loans from CMCC and China Mobile Group Finance Co., Ltd. (a subsidiary of China Mobile Company) of RMB 3,000 million, RMB 4,650 million, RMB 19,309 million and RMB 15,209 million as at 31

December 2015, 2016 and 2017 and 31 March 2018 respectively. For the years end 31 December 2015, 2016 and 2017 and the three months ended 31 March 2017 and 2018, all short-term borrowings are unsecured, which bear interest rates ranging from 3.48% to 3.92%, 2.35% to 3.915%, 2.35% to 4.35%, 2.35% to 3.92% and 2.35% to 4.35% per annum, respectively.

(b) ***Deferred consideration payables***

	As at 31 December			As at 31 March
	2015	**2016**	**2017**	**2018**
	RMB million	**RMB million**	**RMB million**	**RMB million**
Deferred consideration payables				
- Deferred consideration	94,866	83,900	12,961	12,961
- Input VAT	—	6,888	4,291	2,776
Less: Unwinding finance cost	(567)	(289)	—	—
	94,299	90,499	17,252	15,737
Less: Current portion	(10,966)	(90,499)	(17,252)	(15,737)
	83,333	—	—	—

Note:

As mentioned in Note 1.1, after the completion of the purchase of the Tower Assets, the Company should pay a cash consideration of RMB 94,866 million. The Company made the first cash payments of RMB 10,966 million to China Mobile Company, China Unicom Corporation and CTC in February 2016. The unpaid balance, together with related input VAT, bear interest from 1 November 2015 at 90% of the financial institution's one year benchmark lending rate announced by the PBOC prevailing on the Completion Date of the transaction. In December 2017, the Company settled RMB 70,939 million to China Mobile Company, China Unicom Corporation and CUC. The remaining consideration payable to CMCC of RMB 12,961 million was further deferred and to be settled before 31 December 2018, such balance bears interest that benchmarked the financial institution's one-year lending rate announced by the PBOC.

(c) ***Asset-backed notes***

	As at 31 December			As at 31 March
	2015	**2016**	**2017**	**2018**
	RMB million	**RMB million**	**RMB million**	**RMB million**
Asset-backed notes	—	4,950	—	—
Less: issuance cost	—	(13)	—	—
	—	4,937	—	—

In December 2016, the Company completed the issuance of its Asset-backed notes via China Inter-bank Market amounting to RMB 4,950 million, which bear an interest rate at 2.86% per annum. The maturity period of the Asset-backed notes is 1 year. The Company repaid the total principal and interest of the Asset-back notes in December 2017.

(d) ***The repayment schedule of the interest-bearing liabilities***

As at 31 December 2015, 2016 and 2017 and 31 March 2018, interest-bearing liabilities are repayable as follows:

	As at 31 December			As at 31 March
	2015	2016	2017	2018
	RMB million	RMB million	RMB million	RMB million
Within 1 year	23,866	127,752	112,512	112,166
Between 1 and 2 years	84,463	1,377	11,276	11,356
Between 2 and 5 years	3,562	4,415	29,608	33,908
Over 5 years	6,292	6,488	2,909	2,931
	118,183	140,032	156,305	160,361

(e) ***The carrying amounts and fair value of the non-current interest-bearing liabilities***

The carrying values of non-current interest-bearing liabilities approximate their fair values, as the impact of discounting is not significant. The fair values are based on cash flows discounted using the prevailing market interest rates as at 31 December 2015, 2016 and 2017 and 31 March 2018. They are within level 3 of the fair value hierarchy.

22 Deferred revenue

Deferred revenue mainly represents the government grants obtained by the Company including the interest subsidy associated with the Preferential Borrowings (see Note 21(a)(i)).

23 Accounts payable

Accounts payable primarily include payables for construction expenditures, repairs and maintenance and other operation expenditures. Accounts payable are unsecured, non-interest bearing and are repayable in accordance with contractual terms. Accounts payable are all denominated in RMB. Their carrying amounts approximate their fair values due to their short-term maturities.

The aging analysis of accounts payable is as follows:

	As at 31 December			As at 31 March
	2015	2016	2017	2018
	RMB million	RMB million	RMB million	RMB million
Less than six months	20,649	34,265	27,898	24,880
Six months to one year	969	4,209	2,690	2,870
More than one year	—	1,366	1,318	1,452
	21,618	39,840	31,906	29,202

24 **Accrued expenses and other payables**

	As at 31 December			As at 31 March
	2015	2016	2017	2018
	RMB million	RMB million	RMB million	RMB million
Interest payable	638	2,230	3,144	3,239
Deposits from vendors	311	811	1,045	1,118
Accrued expenses	104	259	464	127
Salary and welfare payables	408	413	436	694
Other tax payables	144	182	137	73
Others	38	47	145	100
	1,643	3,942	5,371	5,351

Accrued expenses and other payables are all denominated in RMB. Their carrying amounts approximate their fair values due to their short-term maturities.

25 **Cash generated from operating activities and financing activities**

(a) ***Reconciliation of (loss)/profit before income tax to net cash (used in)/generated from operations:***

	Year ended 31 December			Three months ended 31 March	
	2015	2016	2017	2017	2018
	RMB million	RMB million	RMB million	RMB million (Unaudited)	RMB million
(Loss)/profit before income tax	(4,746)	106	2,685	646	498
Adjustments for:					
- Depreciation and amortisation (Note 12, 14 and 16)	5,138	27,585	32,642	7,843	8,041
- Loss on disposal of property and equipment (see Note 25(b))	5	632	1,330	267	185
- Interest income	(144)	(65)	(104)	(18)	(33)
- Finance costs (Note 9)	747	5,077	5,283	1,288	1,638
Operating cash flow before changes in working capital	1,000	33,335	41,836	10,026	10,329
- Decrease/(increase) in inventories	(4)	2	(25)	(3)	27
- Decrease/(increase) in trade and other receivable	(9,805)	(5,979)	527	(882)	(4,067)
- Increase in prepayments and other current assets	(82)	(565)	(851)	(1,799)	(462)
- Decrease/(increase) in long-term prepayments	(716)	1,769	(4,508)	(5,345)	(1,857)
- Increase in other non-current assets	—	(1,410)	(3,063)	(116)	(658)
- Increase/(decrease) in accounts payable	1,988	(330)	400	6,352	2,561
- Increase/(decrease) in accrued expenses and other payables	746	707	515	454	(115)
Cash (used in)/generated from operations	(6,873)	27,529	34,831	8,687	5,758
Income tax paid	—	—	—	—	—
Interest income received	144	65	104	18	33
Net cash (used in)/generated from operating activities	(6,729)	27,594	34,935	8,705	5,791

(b) ***In the statement of cash flows, proceeds from sale of property and equipment comprise:***

	Year ended 31 December			Three months ended 31 March	
	2015	2016	2017	2017	2018
	RMB million	RMB million	RMB million	RMB million (Unaudited)	RMB million
Net book amount	5	694	1,416	286	214
Loss on disposal of property and equipment	(5)	(632)	(1,330)	(267)	(185)
Proceeds from disposal of property and equipment	—	62	86	19	29

(c) ***Net debt reconciliation from financing activities***

	As at 31 December			As at 31 March
	2015	2016	2017	2018
	RMB million	RMB million	RMB million	RMB million
Net Debt				
Cash and cash equivalents	13,653	17,249	7,852	7,221
Borrowings and Asset-backed notes - repayable within one year	(12,900)	(37,253)	(95,260)	(96,429)
Deferred consideration payables - repayable within one year	(10,966)	(90,499)	(17,252)	(15,737)
Borrowings - repayable after one year	(10,984)	(12,280)	(43,793)	(48,195)
Deferred consideration payables - repayable after one year	(83,333)	—	—	—
	(104,530)	(122,783)	(148,453)	(153,140)

	As at 31 December			As at 31 March
	2015	2016	2017	2018
	RMB million	RMB million	RMB million	RMB million
Net Debt				
Cash and cash equivalents	13,653	17,249	7,852	7,221
Gross debt - fixed interest rates	(118,183)	(140,032)	(121,105)	(120,761)
Gross debt - variable interest rates	—	—	(35,200)	(39,600)
	(104,530)	(122,783)	(148,453)	(153,140)

	Assets	Liabilities from financing activities					
	Cash	Borrowing due within 1 year	Borrowing due after 1 year	Deferred consideration (including VAT input) due within 1 year	Deferred consideration (including VAT input) due after 1 year	Asset-backed notes due within 1 year	Total
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Net debt as at 1 January 2015	(9,592)	—	—	—	—	—	(9,592)
Cash flows, net	(4,061)	12,900	13,175	—	—	—	22,014
Non-cash movements:							
- Deferred or accrual	—	—	62	10,966	83,900	—	94,928
- Unwinding	—	—	(2,253)	—	(567)	—	(2,820)
Net debt as at 31 December 2015	(13,653)	12,900	10,984	10,966	83,333	—	104,530
Cash flows, net	(3,596)	18,250	2,538	(10,966)	—	4,937	11,163
Non-cash movements:							
- Reclassification	—	1,166	(1,166)	83,333	(83,333)	—	—
- Deferred or accrual	—	—	377	7,166	—	—	7,543
- Unwinding	—	—	(453)	—	—	—	(453)
Net debt as at 31 December 2016	(17,249)	32,316	12,280	90,499	—	4,937	122,783
Cash flows, net	9,397	61,013	32,493	(76,631)	—	(4,950)	21,322
Non-cash movements:							
- Reclassification	—	1,931	(1,931)	—	—	—	—
- Deferred or accrual	—	—	951	3,384	—	13	4,348
Net debt as at 31 December 2017	(7,852)	95,260	43,793	17,252	—	—	148,453
Cash flows, net	631	(721)	6,211	(1,515)	—	—	4,606
Non-cash movements:							
- Reclassification	—	1,890	(1,890)	—	—	—	—
- Deferred or accrual	—	—	81	—	—	—	81
Net debt as at 31 March 2018	(7,221)	96,429	48,195	15,737	—	—	153,140
(Unaudited)							
Net debt as at 1 January 2017	(17,249)	32,316	12,280	90,499	—	4,937	122,783
Cash flows, net	10,044	(4,316)	(1,508)	—	—	—	4,220
Non-cash movements:							
- Reclassification	—	1,292	(1,292)	—	—	—	—
- Deferred or accrual	—	—	102	1,079	—	3	1,184
Net debt as at 31 March 2017	(7,205)	29,292	9,582	91,578	—	4,940	128,187

26 **Dividend**

No dividend paid during the years ended 31 December 2015, 2016 and 2017 and the three months ended 31 March 2018.

27 **Contingencies**

As of 31 December 2015, 2016 and 2017 and 31 March 2018, the Company has no material contingencies respectively.

28 **Commitments**

(a) ***Capital commitments***

As at 31 December 2015, 2016 and 2017 and 31 March 2018, the Company had capital commitments for construction expenditures as follows:

	As at 31 December			As at 31 March
	2015	2016	2017	2018
	RMB million	RMB million	RMB million	RMB million
Authorised but not contracted for:				
No later than 1 year	—	176	2,231	—
Later than 1 year and no later than 5 years	—	—	—	—
	—	176	2,231	—

	As at 31 December			As at 31 March
	2015	2016	2017	2018
	RMB million	RMB million	RMB million	RMB million
Authorised and contracted for:				
No later than 1 year	—	—	446	868
Later than 1 year and no later than 5 years	—	—	—	—
	—	—	446	868

(b) ***Operating lease commitments***

The Company leases office premises and site properties for telecommunication towers (as lessee) under non-cancellable operating lease agreements.

The future aggregate minimum lease payments under these non-cancellable operating leases are as follows:

	As at 31 December			As at 31 March
	2015	2016	2017	2018
	RMB million	RMB million	RMB million	RMB million
No later than 1 year	5,791	6,148	5,539	7,180
Later than 1 year and no later than 5 years	8,621	10,428	9,456	11,401
Later than 5 years	6,559	5,931	4,999	5,155
	20,971	22,507	19,994	23,736

As at the 31 December 2015, 2016 and 2017 and 31 March 2018, the Company had future aggregate minimum lease receipts under non-cancellable operating leases (as lessor) during the leasing period (5 years) were RMB 212,622 million, RMB 223,051 million, RMB 286,165 and RMB 297,300 million respectively.

29 **Related party transactions**

The Company is limited liability company established in the PRC. As at 31 December 2017, the Company's shareholders are China Mobile Company, China Unicom Corporation, China Telecom and China Reform. The parent companies of the Three Telecom Operators are CMCC, CUC and CTC respectively, which are state-owned enterprises ultimately controlled by the PRC government. As a result, CMCC, CUC, CTC, China Reform, the Three Telecom Operators and their subsidiaries are all considered as the Company's related parties.

The PRC government controls a significant portion of the productive assets and entities in the PRC. The Company provides the telecommunications infrastructure services in the PRC, it is likely to have extensive transactions with other state-controlled enterprises besides the Three Telecom Operators and their parent companies.

Management considers the transactions with other state-owned enterprises are conducted in its ordinary course of business. All these transactions are mainly carried out on terms comparable to those conducted with third parties or based on the standards promulgated by relevant government authorities.

(a) ***Significant transactions with related parties***

(i) *Provision of Tower business, DAS and other services:*

	Year ended 31 December			Three months ended 31 March	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB million	**RMB million**	**RMB million**	**RMB million (Unaudited)**	**RMB million**
China Mobile Company and its subsidiaries	4,560	28,646	36,804	8,654	9,465
China Unicom Corporation	2,314	15,063	16,232	4,134	3,884
China Telecom	1,927	12,263	15,467	3,656	3,788
Total	8,801	55,972	68,503	16,444	17,137

The provision of the above Tower business, DAS and other services are based on the agreed terms in the Commercial Pricing Agreements signed by the Company and the Three Telecom Operators, and set out in the individual site service agreements between the provincial branches of the Company and the provincial subsidiaries/branches of the Three Telecom Operators. The prices are determined on a cost plus margin basis, adjusted for different elements including tenancy co-sharing discount, area adjustment rate for different provincial standard construction cost and related operation cost. In early 2018, the Company entered into the Supplemental Agreement to the Commercial Pricing Agreements with each of the China Mobile Company, China Unicom Corporation and China Telecom (see Note 6 for details).

(ii) *Purchases of various goods and services*

	Year ended 31 December			Three months ended 31 March	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB million	**RMB million**	**RMB million**	**RMB million (Unaudited)**	**RMB million**
CMCC Group	446	840	805	135	134
CUC Group	209	649	838	159	143
CTC Group	3,520	6,246	8,001	1,227	1,246
	4,175	7,735	9,644	1,521	1,523

The Company purchases certain equipment, engineering design services, construction and supervision services, maintenance services, communications and IT services from CMCC Group, CUC Group and CTC Group. The transaction prices are mainly determined in accordance with relevant market price or cost-plus basis if no market price or the market price cannot be properly determined.

(iii) *Rental charges for property and site ground lease*

	Year ended 31 December			Three months ended 31 March	
	2015	2016	2017	2017	2018
	RMB million	RMB million	RMB million	RMB million (Unaudited)	RMB million
CMCC Group	96	463	255	69	56
CUC Group	47	282	109	36	25
CTC Group	103	485	387	121	91
	246	1,230	751	226	172

The Company leases certain properties, site ground and warehouses from CMCC Group, CUC Group and CTC Group. The rents and management fees are charged to the Company are mainly determined with reference to the market price or cost-plus basis if no market price or the market price cannot be properly determined.

(iv) *Payments on behalf of related parties*

	Year ended 31 December			Three months ended 31 March	
	2015	2016	2017	2017	2018
	RMB million	RMB million	RMB million	RMB million (Unaudited)	RMB million
China Mobile Company its subsidiaries	117	6,041	10,813	2,106	2,805
China Unicom Corporation	45	2,666	4,275	840	1,132
China Telecom	36	1,597	3,071	589	851
	198	10,304	18,159	3,535	4,788

As mentioned in Note 17 (b)(iii), the Company paid certain sites electric power charges to electricity power companies or third parties, on behalf of the Three Telecom Operators.

(v) *Short-term borrowings and interests*

	Year ended 31 December			Three months ended 31 March	
	2015	2016	2017	2017	2018
	RMB million	RMB million	RMB million	RMB million (Unaudited)	RMB million
CMCC Group:					
- Principals	3,000	4,650	23,059	1,350	3,950
- Interests	17	92	243	51	186

The Company obtained the short-term borrowings from CMCC and China Mobile Group Finance Co., Ltd, a subsidiary of China Mobile Company. These borrowings are unsecured, with interest rates determined by benchmarking to the financial institution's one-year lending rate announced by the PBOC. These short-term borrowings have a maturity period of 3 to 12 months.

(vi) *Acquisition of Tower Assets*

As mentioned in Note 1.1, the Company acquired the Tower Assets from CMCC Group, CUC Group and CTC Group in 2015 at a consideration of RMB203,484 million.

Following the above acquisition of the Tower Assets in 2015, the Company also purchased additional Tower Assets from CMCC Group, CUC Group and CTC Group, in a cash consideration of RMB3,472 million in 2016. These towers and related assets were under construction or newly built on or after the Completion Date of the acquisition of the Tower Assets in 2015.

(vii) *Interest expenses in related to the deferred consideration*

	Year ended 31 December			Three months ended 31 March	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB million	**RMB million**	**RMB million**	**RMB million (Unaudited)**	**RMB million**
CMCC Group	503	3,063	3,030	757	149
CUC Group	148	900	890	222	26
CTC Group	10	68	67	17	—
	661	4,031	3,987	996	175

As mentioned in Note 1.1 and 21(b), the Company has to pay interests on the deferred consideration (and related VAT) associated with the acquisition of the Tower Assets.

(b) ***Key management compensation***

The remuneration of key management personnel is as follows:

	Year ended 31 December			Three months ended 31 March	
	2015	2016	2017*	2017*	2018
	RMB thousand	RMB thousand	RMB thousand	RMB thousand (Unaudited)	RMB thousand
Salaries and other employee benefits	4,193	4,364	4,817	1,060	935
Retirement benefits	378	404	482	121	106
	4,571	4,768	5,299	1,181	1,041

* In addition to the remuneration of key management personnel in the table above, as approved by the board of directors, a special bonus amounted to RMB 294 thousand was paid to members of key management for their past performance in 2017.

The key management of the Company has 5, 6, 6, 5 members for the years ended 31 December 2015, 2016 and 2017 and for the three months ended 31 March 2018.

(c) ***Balances with related parties***

(i) *Amount due from related parties*

	As at 31 December			As at 31 March
	2015	2016	2017	2018
	RMB million	RMB million	RMB million	RMB million
Trade and other receivables:				
CMCC Group	5,016	7,451	8,791	10,671
CUC Group	2,558	4,314	2,844	3,964
CTC Group	5,042	3,198	3,406	4,314
China Reform	7,761	—	—	—
	20,377	14,963	15,041	18,949

Note: Other than other receivables due from China Telecom and China Reform (non-trade) amounted to RMB 10,727 million as at 31 December 2015 arising from the Company's new share issuance in 2015 (Note 1.1), trade and other receivables with related parties mainly arose from provision of the Tower business, DAS services and other services (Note 29 (a) (i) and (iv)).

	As at 31 December			As at 31 March
	2015	2016	2017	2018
	RMB million	RMB million	RMB million	RMB million
Prepayments and other current assets:				
CMCC Group	33	281	208	178
CUC Group	17	145	159	99
CTC Group	10	212	223	276
	60	638	590	553

Note: The balances of prepayments and other current assets at each of the year/period end during the Track Record Period mainly arise from the leasing of certain properties, site ground and warehouse from related parties as described in Note 29 (a) (iii).

(ii) *Amount due to related parties*

	As at 31 December			As at 31 March
	2015	2016	2017	2018
	RMB million	RMB million	RMB million	RMB million
Accounts payable:				
CMCC Group	75	8,369	2,844	1,747
CUC Group	22	2,337	734	328
CTC Group	22	5,609	4,018	3,003
	119	16,315	7,596	5,078

	As at 31 December			As at 31 March
	2015	2016	2017	2018
	RMB million	RMB million	RMB million	RMB million
Accrued expenses and other payables:				
CMCC Group	303	1,604	2,637	2,826
CUC Group	204	575	318	346
CTC Group	192	122	202	99
	699	2,301	3,157	3,271

Note: Apart from the balances of interest payables (non-trade) included in the Accrued expenses and other payables arising from the transactions described in Note 29 (a) (v) and (vii), amounts due to related parties at each of the year/period end during the Track Record Period mainly arise from the ordinary course of business in respect of transactions with related parties such as purchase of goods and services that described in Note 29 (a) (ii) and (iii).

All the balances of amount due from/to related parties are unsecured, non-interest bearing and repayable on demand.

(iii) *Deferred consideration payables*

	As at 31 December			As at 31 March
	2015	2016	2017	2018
	RMB million	RMB million	RMB million	RMB million
China Mobile Company	57,585	52,585	—	—
China Unicom Corporation	21,322	18,322	—	—
CMCC	12,961	12,961	12,961	12,961
CUC	32	32	—	—
CTC	2,966	—	—	—
	94,866	83,900	12,961	12,961
Add : Value-added tax	—	6,888	4,291	2,776
Less: Unwinding finance cost	(567)	(289)	—	—
	94,299	90,499	17,252	15,737

Note: The balances of deferred consideration payables (non-trade) at each of the year/period end during the Track Record Period arise from the acquisition of Tower Assets, see Note 29 (a) (vi) for details.

(iv) *Short-term borrowings from related parties*

	As at 31 December			As at 31 March
	2015	2016	2017	2018
	RMB million	RMB million	RMB million	RMB million
China Mobile Group Finance Co., Ltd	3,000	4,650	8,050	3,950
CMCC	—	—	11,259	11,259
	3,000	4,650	19,309	15,209

Note: The balances of Short-term borrowings from related parties (non-trade) at each of the year/period end during the Track Record Period arise from the short-term borrowings with certain related parties as described in Note 29 (a) (v).

(d) ***Transactions with other state-owned entities in the PRC***

The Company operates in an economic regime currently dominated by entities directly or indirectly controlled by the PRC government through government authorities, agencies, affiliations and other organization (collectively referred to as "government-related entities"). Apart from transactions with CMCC Group, CUC Group and CTC Group (Note 29 (a)), the Company has significant transactions with other government-related entities, which include but not limited to the following:

— rendering or receiving services, such as construction services, logistics, transportation and maintenance services, etc.

— purchasing of goods, including use of public utilities

— placing of bank deposits, obtaining bank borrowings

— leasing office buildings or tower sites

These transactions are conducted in the ordinary course of the Company's business on terms comparable with the terms of transactions with other entities that are not government-related. The Company prices its leasing, services and products in accordance with rules and regulations stipulated by related authorities of the PRC Government, where applicable, or based on commercial negotiations. The Company has also established its procurement policies and approval processes for purchases of products and services, which do not depend on whether the counterparties are government-related entities or not.

30 Events after the reporting period

Service Agreement

The Company entered into the respective service agreement (the "Service Agreement") with the Three Telecom Operators in April 2018 to further elaborate the content of various services provided by the Company to the Three Telecom Operators, the related customer service standards and performance assessment criteria and other related arrangements (the pricing mechanism is still governed by Commercial Pricing Agreements and the Supplemental Agreement to the Commercial Pricing Agreements). The effective period of the Service Agreement shall be the same as the term of the Commercial Pricing Agreements and the Supplemental Agreement to the Commercial Pricing Agreements, i.e. from 1 January 2018 to 31 December 2022.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company in respect of any period subsequent to 31 March 2018 up to the date of this report. Save as disclosed in this report, no dividend or distribution has been declared or made by the Company in respect of any period subsequent to 31 March 2018.

The information set out in this Appendix II does not form part of the "Accountant's Report" from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set forth in Appendix I to this prospectus, and is included herein for illustrative purpose only.

The unaudited pro forma financial information should be read in conjunction with the section entitled "Financial Information" in this prospectus and the "Accountant's Report" set out in Appendix I to this prospectus.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative and unaudited pro forma statement of adjusted net tangible assets of the Company which has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Global Offering on the net tangible assets of the Company attributable to owners of the Company as at 31 March 2018 as if the Global Offering had taken place on that date.

This unaudited pro forma adjusted net tangible assets of the Company has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the net tangible assets of the Company had the Global Offering been completed as at 31 March 2018 or at any future date.

		Pro forma adjustment			
	Audited net tangible assets of the Company attributable to owners of the Company as at 31 March 2018	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted net tangible assets attributable to owners of the Company as at 31 March 2018	Unaudited pro forma adjusted net tangible assets per Share	
	Note 1	Note 2		Note 3	Note 4
	RMB million	RMB million	RMB million	RMB	HK$
Based on an Offer Price of HK$1.26 per H Share	127,750	45,544	173,294	1.00	1.17
Based on an Offer Price of HK$1.58 per H Share	127,750	57,129	184,879	1.07	1.26

Notes:

(1) The audited net tangible assets attributable to owners of the Company as at 31 March 2018 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited net assets of the Company attributable to owners of the Company as at 31 March 2018 of RMB 127,875 million, with adjustments for intangible assets as at 31 March 2018 of RMB 125 million, which mainly represented the purchased software.

(2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK$1.26 and HK$1.58 per H Share after deduction of the estimated underwriting fees and other related expenses payable by us, and takes no account of any shares which may be issued upon the exercise of the Over-allotment Option.

(3) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 172,459,415,024 Shares were in issue assuming that the Global Offering has been completed on 31 March 2018 but takes no account of any shares which may be issued upon the exercise of the Over-allotment Option.

(4) For the purpose of this unaudited pro forma statement of adjusted net tangible assets, the balance stated in Renminbi are converted into Hong Kong dollars at the rate of HK$1.00 to RMB0.85254. No representation is made that Renminbi amounts have been, could have been or may be converted into Hong Kong dollars, or vice versa, at that rate.

(5) Save as disclosed above, no adjustment has been made to the unaudited pro forma adjusted net tangible assets to reflect any trading results or other transactions of the Company entered into subsequent to 31 March 2018.

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of China Tower Corporation Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China Tower Corporation Limited (the "Company") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Company as at 31 March 2018, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus dated 25 July 2018, in connection with the proposed initial public offering of the H shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed initial public offering on the Company's financial position as at 31 March 2018 as if the proposed initial public offering had taken place at 31 March 2018. As part of this process, information about the Company's financial position has been extracted by the directors from the Company's financial information for the period ended 31 March 2018, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

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Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at 31 March 2018 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Company; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 25 July 2018

TAXATION OF SECURITY HOLDERS

Taxation

The following is a summary of certain PRC and Hong Kong tax consequences arising from ownership of H Shares by investors who purchase such H Shares in the Global Offering and hold the H Shares as capital assets. This summary does not purport to address all material tax consequences of the ownership of H Shares, and does not take into account the specific circumstances of any particular investor, some of which may be subject to special provisions. This summary is based on the tax laws of the PRC and Hong Kong in effect as of the Latest Practicable Date, all of which are subject to change (or changes in interpretation), possibly with retroactive effect.

This section does not address any aspect of taxation of the PRC or Hong Kong other than income tax, capital tax, value-added tax, stamp duty and estate duty. Prospective investors are advised to consult their own tax advisers regarding the PRC, Hong Kong and other tax consequences of investing in H Shares.

PRC TAXATION

Taxation on Dividends

Individual Investors

In accordance with the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法》) (hereinafter referred to as "IIT Law") issued by the Fifth Session of the Standing Committee of the NPC on September 10, 1980, revised on June 30, 2011 and came into effect on September 1, 2011, and the Regulations for the Implementation of the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法實施條例》) revised by the State Council on July 19, 2011 and came into effect on September 1, 2011, dividends paid by Chinese companies to individual investors shall general be subject to withholding tax at a rate of 20%. Meanwhile, according to the Notice on Issues concerning the Implementation of Differential Individual Income Tax Policies on Dividends and Bonuses of Listed Companies (《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》) (Cai Shui [2015] No. 101) issued by the MOF on September 7, 2015, where an individual acquires the stocks of a listed company from public offering of the company or from the stock market, if the stock holding period is more than one year, the dividend incomes shall be exempted from personal income tax. Where an individual acquires the stocks of a listed company from public offering of the company or from the stock market, if the stock holding period is one month or less, the income from dividends shall be included into the taxable incomes in full amount; if the stock holding period is more than one month and up to one year, the dividend income shall be included into the taxable incomes at the reduced rate of 50% for the time being. Individual income taxes on the aforesaid incomes shall be collected at the uniform rate of 20%.

For a foreign individual who is not a resident of the PRC, his/her receipt of dividends from a PRC company is normally subject to PRC withholding tax of 20% unless specifically exempted by the taxation authority of the State Council or reduced by an applicable tax treaty. Pursuant to the Notice of the SAT on Issues Concerning Taxation and Administration of Individual Income Tax After the

Repeal of the Document (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) (Guo Shui Han [2011] No. 348) issued by the SAT on June 28, 2011, domestic non-foreign-invested enterprises issuing shares in Hong Kong may generally, when distributing dividends, withhold individual income tax at the rate of 10%. For individual holders of H Shares receiving dividends who are identified as tax residents of countries that have entered into a tax treaty with the PRC with tax rates lower than 10%, the distributing non-foreign-invested enterprise whose shares are listed in Hong Kong may apply on behalf of such holders for enjoying the lower preferential tax rate, and, upon approval by the tax authorities, the amount which is over-withheld will be refunded. For individual holders of H Shares receiving dividends who are identified as tax residents of countries that have entered into a tax treaty with the PRC that provides for tax rates higher than 10% but lower than 20%, the non-foreign-invested enterprise is required to withhold the tax at the applicable rate under the treaties, and no application to the tax authorities is required. For individual holders of H Shares receiving dividends who are identified as tax residents of countries without taxation treaties with the PRC, the non-foreign-invested enterprise is required to withhold the tax at a rate of 20%.

Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion Regarding Income Tax (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) signed on August 21, 2006, the PRC government may impose tax on dividends paid to a Hong Kong resident (including natural person and legal entity) by a PRC company, but such tax shall not exceed 10% of the total amount of the dividends payable. If a Hong Kong resident directly holds 25% or more of the equity interest in a PRC company, then the amount of such shall not exceed 5% of the total dividends payable by the PRC company. The Fourth Protocol of the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion issued by the SAT (《國家稅務總局關於〈內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排〉第四議定書》) (SAT Announcement [2015] No. 12) effective on December 29, 2015 states that such provisions shall not apply to arrangement made for the primary purpose of gaining such tax benefit.

Enterprise Investors

In accordance with the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (hereinafter referred to as "EIT Law"), and the Provisions of Implementation for the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》), both effective on January 1, 2008, a non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income, including dividends received from a PRC resident enterprise whose shares are issued and listed in Hong Kong, if such non-resident enterprise does not have an establishment or premises in the PRC or has an establishment or premises in the PRC but the PRC-sourced income is not connected with such establishment or premises in the PRC. The aforesaid income tax must be withheld at source, with the payer of the income being the withholding agent. Such withholding tax may be reduced or eliminated under an applicable treaty for the avoidance of double taxation.

The Notice of the SAT on the Issues Concerning Withholding Enterprise Income Tax on the Dividends Payable by PRC Resident Enterprises to Overseas Non-PRC Resident Enterprise H Share Holders (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅

有關問題的通知》) issued by the SAT and effective on November 6, 2008, further clarified that a PRC resident enterprise must withhold enterprise income tax at a rate of 10% on dividends paid to non-PRC resident enterprise H Shareholders which are derived out of profit generated after January 1, 2008. A non-PRC resident enterprise H Shareholder which is entitled to a preferential tax rate under an applicable tax treaty or arrangement may, directly or through its agent, apply to the competent tax authorities for a refund of the excess amount of tax withheld. The Reply of the SAT on Imposition of Enterprise Income Tax on B-share and Other Dividends of Non-resident Enterprises (《國家稅務總局關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆》) issued by the SAT on July 24, 2009 further provides that any PRC-resident enterprise that is listed on overseas stock exchanges must withhold enterprise income tax at a rate of 10% on dividends that it distributes to non-PRC resident enterprise shareholders.

Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion Regrading Income Tax (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) signed on August 21, 2006, the PRC government may impose tax on dividends paid to a Hong Kong resident (including natural person and legal entity) by a PRC company, but such tax shall not exceed 10% of the total amount of the dividends payable. If a Hong Kong resident directly holds 25% or more of equity interest in a PRC company, such tax shall not exceed 5% of the total amount of dividends payable by that PRC company. The Fourth Protocol of the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion issued by the SAT (《國家稅務總局關於〈內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排〉第四議定書》) effective on December 29, 2015 states that such provisions shall not apply to arrangements made for the primary purpose of gaining such tax benefit.

Tax Treaties

Non-PRC resident investors residing in countries which have entered into treaties for the avoidance of double taxation with the PRC or residing in Hong Kong or Macau may be entitled to preferential tax rates on dividends received by such investors from the PRC company. The PRC has entered into arrangements for the avoidance of double taxation with Hong Kong and Macau, respectively, and has entered into treaties for the avoidance of double taxation with certain other countries, including but not limited to Australia, Canada, France, Germany, Japan, Malaysia, Netherlands, Singapore, the United Kingdom and the United States. A non-PRC resident enterprise which is entitled to a preferential tax rate under a relevant income tax treaty or arrangement may apply to the PRC tax authorities for a refund of the difference between the amount of tax withheld and tax computed based on the treaty rate.

Taxation on Gains from Share Transfer

Individual Investors

In accordance with the IIT Law and its implementation rules, individuals are subject to individual income tax at the rate of 20% on gains realized on the sale of equity interests in PRC resident enterprises. Under the Circular of the MOF and SAT on Declaring that Individual Income Tax

Continues to Be Exempted over Individual Income Tax from Transfer of Shares (《財政部、國家稅務總局關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) (Cai Shui Zi [1998] No.61) issued by the MOF and SAT on March 20, 1998, from January 1, 1997, gains of individuals from the transfer of shares of listed companies continue to be exempted from individual income tax. After the latest amendment to the IIT Law on June 30, 2011 and its implementation rules amended on July 19, 2011 and implemented on September 1, 2011, the SAT has not explicitly stated whether it will continue to exempt individuals from income tax on income derived from the transfer of listed shares. However, on December 31, 2009, the MOF, SAT and CSRC jointly issued the Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Moratorium Shares of Listed Companies (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》) (Cai Shui [2009] No.167), which provides that individuals' income from transferring listed shares on certain domestic exchanges shall continue to be exempted from individual income tax, except for shares of certain specified companies (as defined in the Supplementary Circular on Relevant Issues Concerning the Collection of Individual Income Tax (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》) (Cai Shui [2010] No.70) over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation issued by the MOF, SAT and CSRC on November 10, 2010). As of the Latest Practicable Date, the aforesaid provision has not expressly provided that individual income tax shall be collected from non-PRC resident individuals on the sale of shares of PRC resident enterprises listed on overseas stock exchanges such as the Hong Kong Stock Exchange. In practice, the PRC tax authorities have not collected income tax from non-PRC resident individuals on gains from the sale of shares of PRC resident enterprises listed on overseas stock exchanges.

Enterprise Investors

In accordance with the EIT Law and its implementation rules, a non-PRC resident enterprise is generally subject to enterprise income tax at the rate of 10% with respect to PRC-sourced income, including gains derived from the disposition of shares in a PRC resident enterprise, if it does not have an establishment or premises in the PRC or has an establishment or premises in the PRC but the PRC-sourced income is not actually connected with such establishment or premises in the PRC. Such tax may be reduced or eliminated under applicable tax treaties or arrangements.

Taxation Policy of Shanghai — Hong Kong Stock Connect

On October 31, 2014, the MOF, the SAT and the CSRC jointly issued the Circular on the Relevant Taxation Policy regarding the Pilot Program that Links the Stock Markets in Shanghai and Hong Kong (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》) (Cai Shui [2014] No. 81) (hereinafter referred to as "Shanghai-Hong Kong Stock Connect Taxation Policy"). Enterprise income tax will be levied according to law on transfer spread income (included in total income derived from investment by mainland enterprise incomes in stocks listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect. Under the Notice of the MOF, SAT and the Stock Exchange on the Policies of the Individual Income Tax Concerning Continuing to Implement the Shanghai-Hong Kong Stock Connect (《財政部、稅務總局、證監會關於繼續執行滬港股票市場交易互聯互通機制有關個人所得稅政策的通知》) (Cai Shui [2017] No. 78) came into effect on November 1, 2017, from November 17, 2017 to December 4, 2019, gains on price difference from transfer of shares derived by mainland individual investors through investment into shares listed on the Hong Kong Stock Exchange via the Shanghai-Hong Kong Stock Connect shall be exempted from individual income tax. For dividends and bonus obtained by mainland individual investors investing in H stocks listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the H-stock companies shall apply to China Securities Depository and Clearing Co., Ltd. (hereinafter referred to as CSDCC) for provision by CSDCC to the H-stock companies register of mainland individual investors, and the H-stock companies shall withhold individual income tax at the rate of 20%.

Enterprise income tax will be levied according to law on dividend and bonus income (included in total income) obtained by mainland enterprise incomes from investing in stocks listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect. In particular, enterprise income tax will be exempted according to law for dividend and bonus income obtained by mainland resident enterprises which hold H stocks for at least 12 consecutive months. For dividend and bonus income obtained by mainland enterprise incomes, the H-stock companies will not withhold dividend and bonus income tax for mainland enterprise incomes. The tax payable shall be declared and paid by the enterprises themselves.

Taxation Policy of Shenzhen — Hong Kong Stock Connect

On November 5, 2016, the MOF, the SAT and the CSRC jointly issued the Circular on the Relevant Taxation Policy regarding the Pilot Program that Links the Stock Markets in Shenzhen and Hong Kong (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》) (hereinafter referred to as "Shenzhen-Hong Kong Stock Connect Taxation Policy"). Pursuant to the "Shenzhen-Hong Kong Stock Connect Taxation Policy," personal income tax will be temporarily exempted for transfer spread income derived from investment by mainland individual investors in stocks listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect from December 5, 2016 to December 4, 2019. Enterprise income tax will be levied according to law on price difference (included in total income) derived from investment by mainland enterprise incomes in stocks listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect.

For dividends and bonus income obtained by mainland individual investors investing in H stocks listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect, the H-stock companies shall apply to CSDCC for provision by CSDCC to the H-stock companies register of mainland individual investors, and personal income tax shall be withheld by CSDCC at the tax rate of 20%. Individual investors who have paid withholding tax overseas may apply for tax credit to the competent tax authority of CSDCC by producing the tax credit document. For dividends and bonus income obtained by mainland securities investment funds investing in stocks listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect, personal income tax will be levied according to the foresaid provisions.

Enterprise income tax will be levied according to law on dividend and bonus income (included in total income) obtained by mainland enterprise incomes from investing in stocks listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect. In particular, enterprise income tax will be exempted according to law for dividend and bonus income obtained by mainland resident enterprises which hold H stocks for at least 12 consecutive months. The H-stock companies listed on

Hong Kong Stock Exchange shall apply to CSDCC for provision by CSDCC to the H-stock companies register of mainland individual investors, and the H-stock companies will not withhold dividend and bonus income tax for mainland enterprise incomes. The tax payable shall be declared and paid by the enterprises themselves.

PRC Stamp Duty

Under the Provisional Regulations of the PRC Concerning Stamp Duty (《中華人民共和國印花稅暫行條例》) amended on January 8, 2011 and the Rules for Implementation of Provisional Regulations of the PRC Concerning Stamp Duty (《中華人民共和國印花稅暫行條例施行細則》) came into effect on October 1, 1988, PRC stamp duty is imposed on documents that are legally binding in the PRC and governed by the PRC laws. Therefore, PRC stamp duty does not apply to acquisitions or dispositions of H shares outside PRC.

Estate Duty

The PRC currently has not imposed any estate duty.

MAJOR TAXATION OF THE COMPANY IN THE PRC

Enterprise Income tax

Under the CIT Law published on March 16, 2007 and subsequently amended and came into effect on February 24, 2017. The enterprise income tax rate in the PRC was reduced to 25% and is in line with the rate applicable to foreign investment enterprises and foreign enterprises.

In accordance with to the Notice on Issues of Tax Policies Concerning In-depth Implementation of Western China Development Strategy (《財政部、海關總署、國家稅務總局關於深入實施西部大開發戰略有關稅收政策問題的通知》) (Cai Shui [2011] No. 58) and the Announcement of SAT on Issues of Enterprise Income Tax Concerning In-depth Implementation of Western China Development Strategy《關於深入實施西部大開發戰略有關企業所得稅問題的公告》 (SAT Announcement [2012] No.12) implemented on January 1, 2011 and the Announcement on Issues of Enterprise Income Tax Concerning Implementation of Catalogue of Encouraged Industries in Western China《關於執行<西部地區鼓勵類產業目錄>有關企業所得稅問題的公告》) (SAT Annoucement [2015] No. 14) implemented by SAT on October 1, 2014, certain subsidiaries of the Company enjoy the tax preferential policy which the encouraged enterprise located in the Western China shall be taxed on enterprise income tax of 15%.

Value-added Tax

According to the PRC Provisional Regulations on Business Tax (《中華人民共和國營業稅暫行條例》) (abolished) amended on November 10, 2008 and implemented on January 1, 2009, enterprises and individuals that provide labor services, transfer intangible assets or sell real estate within the territory of the PRC as specified by such regulations are subject to business tax.

Pursuant to the Pilot Reform for Transition from Business Tax to Value-added Tax ("VAT") (《營業稅改徵增值稅試點方案》) (Cai Shui [2011] No. 110) promulgated by the MOF and SAT, effective on November 16, 2011, starting from January 1, 2012, the State started the pilot taxation reform of collecting VAT in lieu of business tax in certain regions (including Shanghai and Beijing) and in certain pilot industries (including transportation and certain modern service industries). The MOF and SAT further notified that the aforesaid pilot reform for the transition from business tax to VAT will be implemented nationwide since August 1, 2013.

Under the Announcement of SAT on Issues Concerning Value-Added Tax During the Pilot Reform for Replacing Business Tax with Value-Added Tax (《關於營業稅改徵增值稅試點期間有關增值稅問題的公告》) (SAT Announcement [2015] No.90) published by SAT on December 22, 2015 and came into effect on February 1, 2016, tower site service shall be taxed on 6%; DAS site value-added service shall be taxed on 6% and DAS site infrastructure service shall be taxed on 11%. Pursuant to Notice on Adjusting Value-added Tax Rates issued by the MOF and SAT (《關於調整增值稅稅率的通知》) (Cai Shui [2018] No. 32) promulgated on April 4, 2018 and effective from May 1, 2018, the tax rate of taxable sales activities shall be adjusted to 16% or 10%.

Pursuant to Notice on Implementing the Pilot Reform for Transition from Business Tax to Value-added Tax Nationwide issued by the MOF and SAT (《關於全面推開營業稅改徵增值稅試點的通知》) (Cai Shui [2016] No. 36) promulgated on March 23, 2016 and effective from May 1, 2016, from May 1, 2016 onwards, the pilot reform for the transition from business tax to VAT ("Business Tax to VAT") is implemented nationwide, and the financial industry is included in such pilot and is required to pay VAT instead of Business Tax. Pursuant to the Implementation Measures for Transition from Business Tax to Value-added Tax (《營業稅改徵增值稅試點實施辦法》), unless otherwise provided in the implementation measures, the tax rate is generally 6% for tax payers who conducted taxable behaviors.

HONG KONG

Tax on Dividends

Under the current practice of the Inland Revenue Department of Hong Kong, no tax is payable in Hong Kong in respect of dividends paid by us.

Capital Gains and Profit Tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of H Shares. However, trading gains from the sale of the H Shares by persons carrying on a trade, profession or business in Hong Kong, where such gains are derived from or arise in Hong Kong from such trade, profession or business will be subject to Hong Kong profits tax, which is currently imposed at the maximum rate of 16.5% on corporations and at the maximum rate of 15% on unincorporated businesses. Certain categories of taxpayers (for example, financial institutions, insurance companies and securities dealers) are likely to be regarded as deriving trading gains rather than capital gains unless these taxpayers can prove that the investment securities are held for long-term investment purposes. Trading gains from sales of H Shares effected on the Hong Kong Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of H Shares effected on the Hong Kong Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp Duty

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.1% on the higher of the consideration for or the market value of the H Shares, will be payable by the purchaser on every purchase and by the seller on every sale of Hong Kong securities, including H Shares (in other words, a total of 0.2% is currently payable on a typical sale and purchase transaction involving H Shares). In addition, a fixed duty of HK$5.00 is currently payable on any instrument of transfer of H Shares. Where one of the parties is a resident outside Hong Kong and does not pay the ad valorem duty due by it, the duty not paid will be assessed on the instrument of transfer (if any) and will be payable by the transferee. If no stamp duty is paid on or before the due date, a penalty of up to ten times the duty payable may be imposed.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong, pursuant to which no Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application of a grant of representation in respect of holders of H Shares whose deaths occur on or after February 11, 2006.

FOREIGN EXCHANGE CONTROL OF THE PRC

The lawful currency of the PRC is the Renminbi, which is currently subject to foreign exchange control and is not freely convertible into foreign exchange. The SAFE under the PBOC is responsible for administration of all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

In accordance with the Notice of the State Council on Further Reforming the Foreign Exchange Management System (《關於進一步改革外匯管理體制的通知》) (Guo Fa [1993] No. 89 (abolished)) issued by the State Council, since January 1, 1994, the conditional convertibility of Renminbi in current account items and the unified exchange rate has been implemented, and the official Renminbi exchange rate and the market rate for Renminbi have been unified. The former dual exchange rate system for Renminbi had been abolished and a unitary and managed floating rate based on market demand and supply was introduced. The PBOC set and published daily the medium price of Renminbi against the U.S. dollar and the exchange rates of Renminbi against other major currencies in reference to the changes in the international foreign exchange markets, which was permitted to float to a certain extent in foreign exchange transactions.

On January 29, 1996, the State Council promulgated new Regulations of the PRC for Foreign Exchange Control (《中華人民共和國外匯管理條例》) (hereinafter referred to as the "Foreign Exchange Control Regulations") which became effective on April 1, 1996. The Foreign Exchange Control Regulations classifies all international payments and transfers into current account items and capital account items. Most of the current account items are no longer subject to SAFE's approval, while capital account items still are. The Foreign Exchange Control Regulations were subsequently amended on January 14, 1997 and August 5, 2008. The latest amendment to the Foreign Exchange Control Regulations clearly states that the State will not impose any restriction on international current account payments and transfers.

On June 20, 1996, the PBOC promulgated the Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) (Yin Fa [1996] No. 210) (hereinafter referred to as the "Settlement Regulations") which became effective on July 1, 1996. The Settlement Regulations abolished the remaining restrictions on convertibility of foreign exchange under current account items, while retaining the existing restrictions on foreign exchange transactions under capital account items.

According to the Announcement on Improving the Reform of the Renminbi (《關於完善人民幣匯率形成機制改革的公告》) (PBOC Announcement [2005] No. 16), issued by the PBOC on July 21, 2005, the PRC began to implement a managed floating exchange rate system in which the exchange rate would be determined based on market supply and demand and adjusted with reference to a basket of currencies. The Renminbi exchange rate was no longer pegged to the U.S. dollar. The PBOC would publish the closing price of the Renminbi against foreign currencies such as the U.S. dollar in the inter-bank foreign exchange market after the closing of the market on each business day, which would be used as the central parity for Renminbi transactions on the following business day.

Starting from January 4, 2016, the PBOC introduced over-the-counter transactions into the inter-bank spot foreign exchange market for the purpose of improving the formation mechanism of the central parity of Renminbi exchange rates, and the practice of matching was kept at the same time. In addition, the PBOC introduced the market-maker rule to provide liquidity to the foreign exchange market. On July 1, 2014, the PBOC further improved the market-oriented formation mechanism of the RMB exchange rate by authorizing the China Foreign Exchange Trade System to make inquiries with the market makers before the inter-bank foreign exchange market opens every day for their offered quotations which are used as samples to calculate the central parity of the RMB against the USD, and announce it at 9:15 a.m. on each business day.

On August 5, 2008, the State Council promulgated the revised Regulations of the PRC for Foreign Exchange Control (《中華人民共和國外匯管理條例》) (hereinafter referred to as the "Revised Foreign Exchange Control Regulations"), which have made substantial changes to the foreign exchange supervision system of the PRC. First, the Revised Foreign Exchange Control Regulations have adopted an approach of balancing the inflow and outflow of funds. Foreign exchange income received overseas can be repatriated or deposited overseas, and foreign exchange and foreign exchange settlement funds under the capital account are required to be used only for purposes as approved by the competent authorities and foreign exchange administrative authorities. Second, the Revised Foreign Exchange Control Regulations have improved the mechanism for determining the RMB exchange rate based on market supply and demand. Third, the Revised Foreign Exchange Control Regulations have enhanced the monitoring of cross-border foreign currency fund flows. In the event that revenues and costs in connection with international transactions suffer or may suffer a material misbalance, or the national economy encounters or may encounter a severe crisis, the State may adopt necessary safeguard or control measures. Fourth, the Revised Foreign Exchange Control Regulations have enhanced the supervision and administration of foreign exchange transactions and grant extensive authorities to the SAFE to enhance its supervisory and administrative powers.

Pursuant to the relevant State rules and regulations, all of the foreign exchange revenue of the PRC enterprises from the current account transactions may be retained or sold to financial institutions operating a foreign exchange sale or settlement business. Foreign exchange income from loans granted by overseas entities or from the issuance of bonds and shares is not required to be sold to, but may be deposited in foreign exchange accounts at, designated foreign exchange banks.

PRC enterprises (including foreign investment enterprises) which need foreign exchange for transactions relating to current account items may, without the approval of the SAFE, effect exchange and payment from their foreign exchange accounts or at the designated foreign exchange banks, on the strength of valid receipts and proof. Foreign investment enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with regulations, are required to pay dividends to their shareholders in foreign exchange may, on the strength of resolutions of the board of directors or the shareholders' meeting approving the distribution of profits, effect exchange and payment from their foreign exchange accounts or convert and pay dividends at the designated foreign exchange banks.

The Decisions of the State Council on Matters including Canceling and Adjusting a Batch of Administrative Approval Items (《國務院關於取消和調整一批行政審批項目等事項的決定》) (Guo Fa [2014] No.50) promulgated on October 23, 2014 has canceled the approval requirement of the SAFE and it branches for the remittance and settlement of the proceeds raised from the overseas listing of the foreign shares into RMB domestic accounts.

Pursuant to the Notice on Issues Concerning the Foreign Exchange Administration of Overseas Listing (《關於境外上市外匯管理有關問題的通知》) (Hui Fa [2014] No.54) issued by the SAFE on December 26, 2014, a domestic issuer shall, within 15 business days from completion of its initial public offering overseas, register the overseas listing with the SAFE's local branch at the place of its incorporation. The proceeds from an overseas listing of a domestic issuer may be remitted to a domestic account or deposited overseas, and the use of the proceeds shall be consistent with the content of the prospectus and other disclosure documents.

Pursuant to the Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《關於改革和規範資本項目結匯管理政策的通知》) (Hui Fa [2016] No. 16) promulgated by the SAFE on June 9, 2016, discretionary settlement of foreign exchange capital income can be settled at the banks based on the actual operating needs of the domestic companies. The proportion of discretionary settlement of foreign exchange capital income for domestic companies is temporarily set at 100%. The SAFE may timely adjust the above proportion in based on international balance of payments.

OVERVIEW

Our businesses are subject to relevant PRC policies, laws and regulations and are under supervision of government authorities. Such laws, regulations and policies mainly govern areas such as the operation and management of the telecommunications tower infrastructure industry. Besides, all our business operation in the PRC are subject to general laws and regulations regarding work safety, environmental protection, intellectual property as well as labor and personnel. Any violation of those laws and regulations may have an adverse impact on our business operation and future development.

PRINCIPAL REGULATORY AUTHORITIES

The NDRC formulates and implements major policies concerning the economic and social development of the PRC, examines and approves investment projects exceeding certain capital expenditure amounts or investment projects in specified industry sectors (including examination and approval of foreign investment projects), supervises reform of state-owned enterprises, and formulates industrial policies and investment guidelines for all industries including the communication infrastructure industry.

The SASAC is authorized to perform investor's responsibilities, supervise and manage enterprises (excluding central financial institutions and other special industries) under the supervision of the central government on behalf of the state.

The MIIT is responsible for researching and making industrialization development strategies and policies, formulating and implementing industry development plan and industry policies; preparing and implementing plans of communication infrastructure construction, and undertaking planning and coordination involving communication infrastructure.

The MHURD is responsible for preparing and implementing urban-rural planning; formulating policies, rules and regulations for urban-rural planning; preparing nationwide urban-rural system planning jointly with the relevant departments; reviewing, approving and supervising implementation of urban general planning and provincial town system planning; and participating in review of land use general planning pursuant to laws.

The Ministry of Emergency Management is responsible for comprehensive supervision and management of safety production and supervision and management of safety production of industry, mining commercial and trading industries.

The Ministry of Ecology and Environment is responsible for compiling and implementation of ecological environment policies, plans and standards, and is solely responsible for ecological environment monitoring and law enforcement, regulating pollution control and nuclear and radiation safety, and organizing inspections of central authorities on environmental protection.

The Ministry of Natural Resources is responsible for overseeing the development and protection of natural resources, setting up, supervising and implementing a spatial planning system, performing responsibilities of owners of all and various natural resources assets by the whole people, unifying research and right confirmation and registration, establishing a system for paid use of natural resources, and is responsible for management of surveying and geological exploration industries.

RELEVANT REGULATIONS

Regulations on the Telecommunications Tower Infrastructure Industry

Telecommunications Regulations of the PRC (《中華人民共和國電信條例》) were promulgated on September 20, 2000, implemented on September 25, 2000, and subsequently revised on July 29, 2014 and February 6, 2016, regulates the telecommunications market, telecommunications service, telecommunications construction, telecommunications safety and penalty, and it is the basic regulatory document to regulate the telecommunications activities or activities in respect of telecommunications engaged in the PRC. Competent department of the information industry under the State Council implements supervision and administration of nation-wide telecommunications industry. Telecommunications authorities of province, autonomous region or municipality implement supervision and management over telecommunications industry of their administrative region under the leadership of the competent department of information industry under the State Council. The Telecommunications Business Operation License issued by the competent department of the information industry under the State Council or telecommunications authorities of province, autonomous region or municipality shall be approved for telecommunications business operation. Telecommunications business is divided as basic telecommunications business and value-added telecommunications business. Basic telecommunications business refers to businesses of providing public network infrastructure, public information transmission and basic voice communication services. Value-added telecommunications business refers to businesses of providing telecommunications and information services through public network infrastructure. MIIT implemented the Telecommunications Industry Classification Catalogue (2015 version) (《電信業務分類目錄(2015年版)》) on March 1, 2016, which specifically classifies the basic telecommunications business and the value-added telecommunications business.

In accordance with the Emergency Notice on the Facilitating of the Joint Construction and Sharing Telecommunications Infrastructure (《關於推進電信基礎設施共建共享的緊急通知》) (MIIT Lian Tong [2008] No. 235) implemented by MIIT and State-owned Assets Supervision and Administration Commission of the State Council on October 1, 2008, the state establishes a nationwide telecommunication infrastructure joint construction and sharing leading group, which is responsible for guiding the co-ordination of the joint construction and sharing of nationwide telecommunication infrastructure and deciding the relevant material matters. Telecommunication management departments of provincial (regional and municipal) co-ordinate and establish a provincial joint construction and sharing co-ordination authority, which is responsible for proposing relevant requirements of joint construction and sharing within the province, coordinating and deciding the relevant matters within the province. The notice requires that the existing towers and poles must be co-used, the newly-built towers and poles must be co-constructed, other qualified base station facilities and transmission circuits, and prohibits to enter into exclusive agreement when leasing facilities from third-party. In view of the newly-built tower in the same location and newly-built poles in the same road without the consent of the provincial coordination authority; existing tower and pole qualified for sharing but refuse to make open for sharing; new-built tower and pole shall be co-constructed but newly-built independently without authorization; entering into exclusive agreement when leasing facilities from third-party; reporting false information, MIIT, SASAC or the delegated provincial (regional and municipal) telecommunications management department will handle seriously, and recommend its superior authorities to publish the relevant responsible person subject to the seriousness of violation. The staff removed and dismissed due to the above reasons shall not be employed within three years.

Under the Implementation Opinions on Issues Concerning Power Supply During Joint Construction and Sharing of Telecommunications Infrastructure (《關於電信基礎設施共建共用中供電有關問題的通知》) (Dian Jian Ban [2009] No. 26) published and implemented by the former State Electricity Regulatory Commission and MIIT on July 15, 2009, grid enterprises at all levels shall actively create conditions for supporting joint construction and sharing of telecommunications infrastructure and protecting the power supply of telecommunications facilities, as well as providing convenience as far as possible for power supply service in relation to co-construction and sharing of telecommunications infrastructure. It shall not be deemed as transfer of power supply and no longer otherwise entering into transfer of power supply agreement when using electricity for infrastructure between the leasing of basic telecommunications enterprises, but it shall be filed to the local grid enterprises for the relevant leasing. For the electricity of telecommunications infrastructure such as towers, poles, shelters and base stations joint constructed and shared between the basic telecommunications enterprises, the basic telecommunications enterprises can be coordinated to assign one of the enterprises to be responsible for enter into power supply contract with grid enterprise and the electricity charges shall be settled centralized. The electricity charges shall be executed in accordance with the electricity pricing policies regulated by the State.

In accordance with the Implementation Opinions on the Promotion of Joint Construction and Sharing of Telecommunications Infrastructure in 2015 (《關於2015年推進電信基礎設施共建共享的實施意見》) (MIIT Lian Tong [2014] No. 586) published and implemented by MIIT and SASAC on December 26, 2014, China Tower Corporation Limited shall be included in the leading group and office of nationwide telecommunications infrastructure joint construction and sharing, and the provincial tower companies shall be included in the provincial joint construction and sharing coordination authority. Tower companies shall enhance the construction capabilities, as well as satisfy the construction demands of the three basic telecommunications enterprises reasonably, equally and effectively. Tower companies shall co-ordinate demands of parties, reform and utilize stock resources in advance and no longer build in principle if it can be shared when they construct the above facilities. The Implementation Opinions on the Promotion of Joint Construction and Sharing of Telecommunications Infrastructure in 2016(《關於2016年推進電信基礎設施共建共享的實施意見》)(MIIT Lian Tong [2016] No.142)published and implemented by MIIT and SASAC on April 15, 2016 required further cooperation between the tower company and telecommunications service providers. In accordance with the Implementation Opinions on the Promotion of Joint Construction and Sharing of Telecommunications Infrastructure in 2017 (《關於2017年推進電信基礎設施共建共享的實施意見》) (MIIT Lian Tong Xin [2017] No. 92) published and implemented by MIIT and SASAC on April 28, 2017, provincial (regional and municipal) telecommunications management departments are encouraged to include construction entities such as third-party tower operating enterprises and broadband access network pilot enterprises in the corresponding joint construction and sharing coordination institution, as well as further improve joint construction and sharing coordination mechanism. Tower companies shall strengthen planning connection, reasonably co-ordinate the construction demands for the above facilities of the basic telecommunications enterprises, focus on enhance construction capabilities and timely delivery rate; fully integrate resources, reform and utilize stock facilities in advance, no longer build in principle if it can be shared, continue to enhance co-construction and sharing level; shall timely give feedback to the basic telecommunications enterprises if lack of undertaking capabilities or unable to deliver the construction demands as per agreement.

Under the Guiding Opinions Concerning Strengthening the Energy-Saving and Emission Reduction of Information Telecommunications Industry under the 13th Five-year Plan (《關於加強「十三五」信息通信業節能減排工作的指導意見》) (MIIT Jie [2017] No. 77) published and implemented by MIIT on April 19, 2017, efforts shall be made to deepen the sharing construction and utilization of infrastructure resources, well formulate the special plans for urban communication infrastructures, strengthen sharing construction and utilization of telecommunications pipelines, poles, towers, base station shelters, optic cables and telecommunications facilities of residential community and realize intensive construction of telecommunications infrastructure; increase the depth and breadth of sharing construction and utilization of infrastructure, explore cross-industry sharing construction and utilization, and optimized the energy-saving effect of sharing construction and utilization.

Under the Measures for the Calculation of the Economic Losses of Damage to Public Telecommunications Facilities (《公用電信設施損壞經濟損失計算方法》) (MIIT Lian Dian Guan [2014] No. 372) published and implemented by the Supreme People's Court, the Supreme People's Procuratorate, MIIT and the Ministry of Public Security on August 28, 2014, the economic losses arising from the damages to public telecommunications facilities due to theft, damage and other factors within the territory of the People's Republic of China shall be calculated according to these measures, the economic losses of damages to public telecommunications facilities mainly include the losses arising from public telecommunications facilities recovery, operating losses arising from communication interrupt and other losses arising from communication interrupt. The losses arising from public telecommunications facilities recovery refer to temporary emergency repair after damage to public telecommunications facilities, the sum of various recover expenses required for formal restoration, including labor costs, machinery usage costs, meter usage costs, dispatch costs, compensation costs, facilities and equipment replace costs. The operating losses arising from communication interrupt refer to the sum of operating losses arising from the communication interrupt resulting from damage to public telecommunications facilities, including losses arising from communication interrupt due to trunk optical transport network, losses arising from communication interrupt due to metropolitan area/local optical transport network and the losses arising from communication interrupt due to access network. Other losses arising from communication interrupt refer to the sum of other losses excluding operating losses of communication resulting from communication interrupt due to damage to public telecommunications facilities, including losses such as compensation costs paid to subscribers of telecommunications by the basic telecommunications enterprises legally.

Under the notice on Strengthening the Planning of Urban Communication Infrastructure (《關於加強城市通信基礎設施規劃的通知》) (Jian Gui [2015] No. 132) implemented by the MOHURD and MIIT on September 8, 2015, to vigorously promote construction of urban communication infrastructure, support the healthy development of the information and communications industry, accelerate the development of "Internet +" development, and promote the coordinated development of industrialization, informatization and urbanization, since January 1, 2016, competent departments of the communications industry in all places in conjunction with the urban and rural planning departments are required to commence formulation of special plans for communication infrastructure. The special plans should scientifically forecast various types of communication users on the basis of the overall urban planning, population distribution and information development planning and co-ordinate all kinds of communication channels, broadband network construction and construction timing based on urban development layout, population distribution and information development plans to fully consider connection with underground integrated corridor construction and rational distribution of all types of communication facilities such as communication cables, communication bureau rooms and base stations. By the end of 2016, all major cities and mega-cities should complete the special plans for communication infrastructure, while other cities should complete formulation of special plans by the end of 2017. The relevant contents of the special plans for communication infrastructure should be included in the relevant controlled detail planning. All places shall plan the construction of communication pipelines, base stations and towers in advance when commence the planning of road transportation, underground pipeline consolidated plan and green belt construction for coordination and consideration, fully connection and construction simultaneously.

The Notice on Strengthen Wireless Communication Tower Site Land and Planning and Management (《關於加強移動通信鐵塔站址用地及規劃管理工作的通知》) (MIIT Lian Tong Xin [2017] No. 234) published and implemented by MIIT, Ministry of Land and Resources (now known as the Ministry of Natural Resources) and the MOHURD on September 21, 2017, it requires to accelerate the "Speedy, Wireless, Safety, Ubiquitous" new-generation information infrastructure, and legally advances the construction of public infrastructure of wireless communication tower sites; improve the existing wireless communication tower site lands and planning procedures; optimize and simplify work processes, create convenience conditions, support and regulate construction of newly-built tower sites, promote the coverage and service level of wireless communication network, strengthen planning of tower sites, intensify and ascertain the bottom figure, advance the planning preparation, strengthen the protection of wireless telecommunications tower site land, coordinate the planning of land use plan; strengthen the implementation of land use requirements, properly solve historical issues, every departments shall also understand and strengthen coordination together, establish a long-effect work mechanism and focus on simplify the work process.

Regulations on Operation and Management

The Ministry of Information Industry (now known as MIIT), State Development Planning Commission (now known as NDRC) implemented the Measures for the Management of Telecommunications Construction (《電信建設管理辦法》) on February 1, 2002, which regulates the development and planning of telecommunications industry, preparation and management of enterprise planning, approval of telecommunications network construction project, market management and relevant penalties of telecommunications construction. The new construction, reconstruction and expansion of public telecommunications networks, special telecommunications networks as well as radio and television transmission networks within the territory of the PRC, shall satisfy the requirements under the Measures.

The Ministry of Information Industry (now known as MIIT) implemented the Specification for Telecommunications Services (《電信服務規範》) (MIIT Order No. 36) on April 20, 2005. The telecommunications business operator who operates telecommunications business in accordance with the law of the PRC to provide telecommunications services shall satisfy the service quality indicators and communication quality indicators required by the Specification.

The Administrative Measures for Telecommunications Business Operation (《電信業務經營許可管理辦法》) (MIIT Order No. 42) were considered and approved by MIIT on June 21, 2017 and implemented on September 1, 2017. The application for, examination and approval of and administration of a telecommunications business operation permit (hereinafter referred to as the business permit) within the territory of the PRC shall be governed by these Measures. The telecommunications business may be operated only after a business permit has been obtained from the telecommunications administrative department according to law. In the operation of the telecommunications business, a telecommunications operator shall abide by the provisions of its business permit, and accept and cooperate in the supervision and administration conducted by the telecommunications administrative department. A telecommunications operator operating the telecommunications business according to the provisions of its business permit shall be protected by the law of the state. For the one which is to engage in the basic telecommunications business shall satisfy the following conditions: (1) the operator shall be a legally established company specialized in the basic telecommunications business, and the state-owned equity interests or shares of the company shall not less than 51%; (2) has business development research report and network building technology plan; (3) has relevant fund and professional personnel for engaging operating activities; (4) has sites, facilities and the corresponding resources for engaging the operating activities; (5) has creditworthiness or capabilities for providing long-term services to users; (6) for operate in province, autonomous region, municipality, the minimum registered capital shall be RMB100 million; for operate in nationwide or beyond a province, autonomous region, municipality, the minimum registered capital shall be RMB1 billion; (7) company and its major investors and major operating management have not been listed in the telecommunications business operation dishonest list; (8) other conditions required by the State. For the one which is to engage in the value-added telecommunications business shall satisfy the following conditions: (1) the operator shall be a legally established company; (2) has relevant fund and professional personnel for engaging operating activities; (3) creditworthiness or capabilities for providing long-term services to users; (4) for operate in province, autonomous region, municipality, the minimum registered capital shall be RMB1 million; for operate in nationwide or beyond a province, autonomous region, municipality, the minimum registered capital shall be RMB10 million; (5) necessary sites, facilities and technology plans; (6) company and its major investors and major operating management have not listed in the telecommunications business operation dishonest list; (7) other conditions required by the State.

The Measures for the Administration of Tendering and Bidding for Communications Construction Projects (《通信工程建設項目招標投標管理辦法》) (MIIT Order No. 27) considered and approved by MIIT on April 23, 2014 and implemented on July 1, 2014, which regulates the tendering and bidding activities for communication works construction projects within the territory of the PRC. The so-called communication works construction project refers to communication works and the goods and services relating to communication works construction. Among these, communication works include the new construction, reconstruction, expansion, demolition and other construction of communication facilities or communication network; goods relating to communication works construction refer to necessary equipment and materials, etc. which are indivisible components of communication works necessary for achieving the basic functions of communication works; and services relating to communication works refer to services such as the survey, design, supervision and management necessary for completion of communication works.

Work Safety

The Work Safety Law of the PRC (《中華人民共和國安全生產法》) was considered and approved by the Standing Committee of the NPC on June 29, 2002 and subsequently revised on August 27, 2009 and August 31, 2014. Entities which engage in production and business operations must observe this work safety law and other laws and regulations concerning work safety, strengthen the administration of work safety, establish and improve the system of responsibilities for work safety, and perfect the conditions for work safety to guarantee the work safety. Relevant authorities of the State Council supervise and manage the work safety in their respective scope of administration according to this work safety law and other applicable laws and administrative regulations, while local people's government authorities above county level supervise and manage the work safety of construction works in their respective scope of administration according to this work safety law and other applicable laws and administrative regulations.

Provisions on the Administration of Work Safety of Telecommunications Construction Projects (《通信建設工程安全生產管理規定》) (MIIT Tong Xin [2015] No. 406) was published by MIIT on June 13, 2008 and subsequently amended on November 16, 2015 and implemented on January 1, 2016. Entities which engage in activities such as new construction, reconstruction and expansion of public telecommunications networks and the ancillary facilities, implement work safety of communication projects and the building, survey, design, construction and supervision of communication construction projects shall comply with laws and regulations for work safety and these provisions, implement national standards and industry standards that ensure work safety, promote work safety standardization construction, ensure work safety of communication project construction, and bear the responsibility of work safety according to law.

Provisions on Quality Supervision and Management of Telecommunication Projects (《通信工程質量監督管理規定》) (Ministry of Information Industry Order No.18) published by the Ministry of Information Industry (now known as MIIT) on December 19, 2001 and implemented on February 1, 2002, regulates the building, survey and design, construction, system integration, user pipeline construction and supervision of communication projects in the territory of the PRC, and strengthens the supervision and management of the quality of communication projects to ensure the quality of communication projects. MIIT published the Provisions on Supervision and Management of Quality of Telecommunications Construction Projects (《通信建設工程質量監督管理規定》) (MIIT Order No. 47) on May 17, 2018, and it became effective on July 1, 2018, which superseded the Ministry of Information Industry Order No.18. It stipulates the implementation of quality supervision and management of communication construction projects in PRC, the supervision organization and responsibilities, quality supervision content and procedures, and related legal responsibilities.

Manufacturers and construction entities of communication infrastructure in the PRC are subject to the Work Safety Law of the People's Republic of China (《中華人民共和國安全生產法》) and the above mentioned Provisions on the Administration of Work Safety of Telecommunications Construction Projects (《通信建設工程安全生產管理規定》). Relevant authorities of the State Council and local government authorities supervise and manage the work safety of construction works in their respective scope of administration according to the Work Safety Law and other applicable laws and administrative regulations.

Environmental Protection

Environmental protection laws and regulations imposed on communication infrastructure constructors in the PRC mainly include the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) (promulgated and implemented on December 26, 1989, amended and passed on April 24, 2014, and implemented on January 1, 2015); the Law for Prevention and Control of Atmospheric Pollution of the PRC (《中華人民共和國大氣污染防治法》) (promulgated on September 5, 1987, first amended on August 29, 1995 and April 29, 2000, second amended on August 29, 2015, and implemented since January 1, 2016); the Law for Prevention and Control of Water Pollution of the PRC (《中華人民共和國水污染防治法》) (promulgated on May 11, 1984 and subsequently amended on May 15, 1996, February 28, 2008 and June 27, 2017); the Law for Prevention and Control of Environmental Pollution by Solid Waste of the PRC (《中華人民共和國固體廢物污染環境防治法》) (promulgated on October 30, 1995 and amended on December 29, 2004, June 29, 2013, April 24, 2015 and November 7, 2016); and the Law for Cleaner Production Promotion of the PRC (《中華人民共和國清潔生產促進法》) (promulgated on June 29, 2002 and amended on February 29, 2012 and implemented on July 1, 2012).

The types and severity of sanctions enforced on entities violating environmental protection law depend on the seriousness of the pollution and the breach committed. Such sanctions include warnings, penalties, and remedies in a limited time period, cessation of operation or closure of business. Such entities are also required to indemnify the unit or individual which has suffered direct losses. Any person being held liable directly for any serious pollution incidents resulting in material losses of public or private property or casualties shall be subject to criminal liabilities.

Protecting the environment is a fundamental national policy of the State. The State shall adopt economic and technological policies and measures conducive to economically and cyclically utilizing resources, protecting and improving the environment and enhancing the harmony between mankind and the nature so as to coordinate economic and social development with environmental protection. The relevant departments of the State Council and the local people's governments at or above the municipal level with districts as well as the relevant departments thereof shall, in the process of working out the relevant programs concerning the use of land and the programs for building, developing and utilizing the areas, drainage areas or sea areas, conduct environmental impact appraisals, draft chapters or explanations concerning environmental impacts. In the chapters or explanations of the programs concerning environmental impacts, an analysis, prediction and appraisal of the environment impacts of the program after it is implemented shall be made, and countermeasures shall be put forward for preventing or mitigating the unfavorable environmental impacts. Such chapters or explanations shall form a part of the draft of the programs and shall be reported to the organ in charge of the examination and approval of the programs. The examination and approval organ may not approve any draft of program which have not prepared a chapter or explanation of the environmental impacts.

With regard to the relevant special programs of industry, agriculture, animal husbandry, forestry, energy, water conservancy, transportation, municipal construction, tourism, and natural resources development, the relevant departments of the State Council and the local people's government of the cities with districts as well as the relevant departments thereof shall, prior to reporting the draft of the special program for examination and approval, organize appraisals of environmental impacts, and submit a report of environmental impacts to the organ in charge of the examination and approval of the special program.

Under the Environmental Impact Assessment Classification Management Catalogue of Construction Project (《建設項目環境影響評價分類管理目錄》) (Ministry of Environmental Protection Order No. 44) published by the Ministry of Environmental Protection (now known as the Ministry of Ecology an Environment) on June 29, 2017 and implemented on September 1, 2017 and further revised on April 28, 2018 by Ministry of Ecology and Environment Order No. 1, the environmental impact assessment classification of wireless telecommunications construction project is adjusted to environmental impact registration table from the environmental impact report table. Under the Memorandum on Communication Base Station Environmental Protection (《通信基站環境保護工作備忘錄》) (Huan Ban Fu She Han [2017] No. 1990) published by the former Office of Ministry of Environmental Protection on December 20, 2017, each TSPs is the owner of antenna devices, and also the producer of environmental impact from communication base station electromagnetic radiation, and shall legally comply perform the filing procedure of environmental impact registration. In respect of the communication base station installed with antenna on the site of a tower company, each TSPs shall jointly entrust a tower company in written to perform the environmental impact registration table filing procedure. However, if there is any violation of the relevant requirements under the Management Measures of Filing for Environmental Impact Registration Table of Construction Project (《建設項目環境影響登記表備案管理辦法》) (Ministry of Environmental Protection Order No. 41) occurs, under the law, the TSPs of the antennas shall assume the legal responsibility. The TSPs of other communication base stations shall be responsible for performing the environmental impact registration table filing procedure. Each TSPs and tower companies shall perform evaluation on the site selection of communication base stations, newly-built or expanded antennas by itself in accordance with the above terms, and perform the environmental impact registration table filing procedure after predicting that the relevant environmental impact standards can be met.

Intellectual Property

According to the Patent Law of the PRC (《中華人民共和國專利法》) promulgated by the Standing Committee of the NPC on March 12, 1984 and subsequently amended on September 4, 1992, August 25, 2000 and December 27, 2008, respectively and its implementation rules, patents of invention and utility model and exterior design are entitled to legal protection. Only inventions and utility models which are original, creative and practicable shall be granted patents. For exterior design, patent will only be granted to new design, and there shall be no patent application from other unit or individual being submitted to the patent administrative department of the State Council before the relevant date of application and recorded in the patent document published after the date of application. The patents for invention, utility model and exterior design shall be valid for 20 years, 10 years and 10 years, respectively, commencing from the date of application.

According to the Trademark Law of the PRC (《中華人民共和國商標法》) promulgated by the Standing Committee of the NPC on August 23, 1982 and subsequently revised on February 22, 1993, October 27, 2001 and August 30, 2013, and its implementation rules, trademark shall be registered upon the approval of the Trademark Office. Registered trademarks include commodity trademarks, service trademarks, collective trademarks and certificate trademarks. Owners of the registered trademarks are entitled to the exclusive right to use the trademark with legal protection. A registered trademark shall be valid for 10 years starting from the date of registration. Any registered owner of the trademarks who desires to use the registered trademark continuously after the expiry date shall apply for the renewal of registration in accordance with laws within 12 months before the expiry date. Where no application has been filed within the said period, a grace period of six months may be allowed. The validity period for each renewal shall be ten years commencing from the next day after the expiry of the previous validity period.

Labor and Personnel

The Labor Law of the PRC (《中華人民共和國勞動法》) (implemented since January 1, 1995 and amended on August 27, 2009), the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) (implemented since January 1, 2008 and amended on December 28, 2012) and the Regulation on the Implementation of the Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) (implemented since September 18, 2008) regulate the relationships between employers and their employees as well as the entering, execution, performance, modification, withdrawal or termination of labor contracts; improve the labor contractual system, clarify the respective rights and obligations of both parties to labor contracts, and protect the legal rights of employers and employees.

The Social Insurance Law of the PRC (《中華人民共和國社會保險法》) (implemented since July 1, 2011) and the Several Provisions on Implementing the Social Insurance Law of the PRC (《實施〈中華人民共和國社會保險法〉若干規定》) (implemented since July 1, 2011) The State establishes social insurance systems such as basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance so as to protect the rights of citizens in receiving material assistance from the State and the society in accordance with the law when getting old, sick, injured at work, unemployed and giving birth. The employers and individuals within the territory of the PRC shall pay their social insurance premiums in accordance with laws.

The Regulation on the Management of Housing Provident Fund (《住房公積金管理條例》) implemented since April 3, 1999, and amended and then implemented on March 24, 2002. An employer shall go to a management center of housing provident fund to make deposit registration and go to an entrusted bank to go through the procedures for opening its employee's housing provident fund account when approved by the Management Center of Housing Provident Fund. When employing new staff or workers, the employer shall undertake housing fund payment and deposit registration at a management center of housing provident fund within 30 days from the date of the employment, and shall go through the formalities of opening or transferring housing provident fund accounts of staff and workers at a commissioned bank with the verified documents of the management center of housing provident fund. The payment and deposit ratio of housing provident fund of the employees and the employer shall not be less than 5% of the monthly average salary in the previous year; for the cities with favorable conditions, the payment and deposit ratio can be increased appropriately. The specific payment and deposit ratio is drew up by Housing Provident Fund Management Committee (住房公積金管理委員會) and reported to the people's government at provincial, autonomous regions and municipalities level for approval after being approved by the people's government at the said level.

This appendix sets forth summaries of certain aspects of PRC laws and regulations which are relevant to the operations and business of the Company. Laws and regulations relating to taxation in the PRC are discussed separately in "*Appendix III — Taxation and Foreign Exchange*." This appendix also contains a summary of certain Hong Kong legal and regulatory provisions, including summaries of certain major differences between PRC and Hong Kong company laws, certain requirements of the Hong Kong Listing Rules and additional provisions required by the Hong Kong Stock Exchange for inclusion in the articles of association of PRC issuers.

THE PRC LEGAL SYSTEM

The PRC legal system is composed of the constitution, laws, administrative regulations, local regulations, separate rules, rules and regulations of departments of the State Council, rules and regulations of local governments, autonomy regulations and separate rules of autonomous regions and international treaties of which the PRC government is a signatory. Court judgments do not constitute binding precedents, although they may be used for the purpose of judicial reference and guidance.

Pursuant to The PRC Constitution (《中華人民共和國憲法》) (hereinafter referred to as "Constitution") and the Legislation Law of the PRC (《中華人民共和國立法法》) (hereinafter referred to as "Legislation Law"), the NPC and the Standing Committee of the NPC are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend the basic laws governing criminal and civil matters, State institutions and other matters. The Standing Committee of the NPC is empowered to formulate and amend laws other than those required by to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during its adjournment, provided that such supplements and amendments shall not be in conflict with the principles of such laws.

The State Council is the highest administrative organs of the state, and enacts administrative regulations under the Constitution and laws.

People's congresses of provinces, autonomous regions and municipalities directly under the central government and their respective standing committees may formulate local regulations based on the specific circumstances and requirements of the local administrations, provided that such local regulations shall not be in conflict with the constitution, laws, and administrative regulations.

The ministries, commissions, PBOC, National Audit Office and institutions with administrative functions supervisory committee the State Council may formulate rules and regulations within the jurisdiction of their respective departments based on the laws and the administrative regulations, decisions and rulings of the State Council. Provisions of departmental rules and regulations shall be formulated for the purpose of the enforcement of the laws and administrative regulations, decisions and rulings of the State Council. The people's governments of provinces, autonomous regions, municipalities and large cities may formulate rules and regulations based on the laws, administrative regulations and relevant local regulations.

People's congresses of larger cities and their respective standing committees may enact local regulations based on the specific circumstances and actual needs which shall come into effect upon approval from the respective standing committees of the people's congresses of the provinces and autonomous regions, provided that such local regulations shall not be in conflict with the constitution, laws, and administrative regulations.

People's congresses of autonomous regions may enact autonomy regulations and separate rules in the light of the political, economic and cultural characteristics of the local nationalities, which shall come into effect upon approval from the Standing Committee of the NPC. Adaptations of provisions of laws and administrative regulations may be introduced to the autonomy regulations and separate rules so long as they do not contravene the basic principles of the laws or administrative regulations, and no adaptations shall be made to the specific provisions on national autonomous areas in the constitutions, national region autonomy law and other relevant laws and administrative regulations.

People's governments of provinces, autonomous regions and municipalities directly under the central government and larger cities may formulate rules according to laws, administrative regulations and relevant local regulations.

The Constitution, enacted by the NPC, is basis of the PRC legal system and has supreme legal authority, and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations may contravene the Constitution. The significance of laws is greater than that of administrative regulations, local regulations, and rules. The significance of administrative regulations is greater than that of local regulations and rules. The significance of local regulations is greater than that of the rules of the local governments at or below the corresponding level. The significance of the rules enacted by the people's governments of the provinces or autonomous regions is greater than that of the rules enacted by the people's governments of the comparatively larger cities within the administrative areas of the provinces and the autonomous regions.

The NPC has the power to alter or annul any inappropriate laws enacted by its Standing Committee, and to annul any autonomous regulations or separate regulations which have been approved by its Standing Committee but which contravene the Constitution or the Legislation Law. The Standing Committee of the NPC has the power to annul any local regulation that contravenes the Constitution, laws or administrative regulations, and to annul any autonomous regulation or separate regulations which has been approved by the standing committees of the NPC of the relevant provinces, autonomous regions or municipalities directly under the central government, but which contravene the Constitution and the Legislation Law. The State Council has the power to alter or annul any inappropriate ministerial rules and rules of local governments. The people's congress of provinces, autonomous regions or municipalities directly under the central government have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees. The people's governments of provinces and autonomous regions have the power to alter or annul any inappropriate rules enacted by the people's governments at the lower level.

According to the Constitution, the authority of the interpretation of laws shall be vested to the Standing Committee of the NPC. According to the Decision of the Standing Committee of the National People's Congress Regarding the Strengthening of Interpretation of Laws (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed on June 10, 1981, interpretation on the application of laws and decrees in court trails and the procuratorial work of the procuratorates shall be given by the Supreme People's Court and the Supreme People's Procuratorate, respectively. Interpretation of the laws and decrees unrelated to trials and procuratorial work shall be given by the State Council and the competent ministries and commissions. In the case that clarification or additional provisions shall be made for the local regulations, the standing committees of the people's congresses of provinces, autonomous regions and municipalities directly under the central government which enacted such regulations shall give the interpretation or formulate the additional provisions. Interpretation on the application of local regulations shall be given by the competent departments under the people's government of the respective provinces, autonomous regions and municipalities directly under the central government.

PRC JUDICIAL SYSTEM

Under the Constitution and the Law of the PRC of Organization of the People's Courts (《中華人民共和國人民法院組織法》) which was enacted on July 1, 1979 and last amended on October 31, 2006 and took effect on January 1, 2007, the judicial system in PRC is made up of the Supreme People's Court, the local people's courts, military courts and other special people's courts.

The local people's courts are comprised of the basic people's courts, the intermediate people's courts and the higher people's courts. The basic people's courts may be organized into civil, criminal, and economic tribunals. The intermediate people's courts may be organized into divisions similar to those of the basic people's courts, and may be further organized into other special divisions. The people's courts at lower levels are subject to supervision of the people's courts at higher levels. The Supreme People's Court is the highest judicial organ of the PRC and it has the power to supervise the administration of justice by the local people's courts at all levels and all special people's courts. The people's procuratorates also have the right to exercise legal supervision over the trial activities of people's courts at same or lower levels.

The people's courts adopt a "second instance as final" appellate system in the trail of the cases. A party to the case concerned may appeal against the judgment and ruling of the first instance by the local people's courts to the people's courts at the next higher level in accordance with the legal procedures. The people's procuratorates may appeal to the people's court at the next higher level in accordance with the legal procedures. In the absence of any appeal by any parties to the case concerned or any appeal by the people's procuratorates within the stipulated period, the judgment and ruling of the first instance by the local people's courts shall be final and legally binding. Judgments and rulings of the second instance of the intermediate people's courts, the higher people's courts and Supreme People's Court and the judgments and rulings of the first instance of the Supreme People's Court shall be the final judgments and rulings. If, however, the Supreme People's Court or a people's court at a higher level finds an error in a judgment which has been given in any people's court at a lower level, or the presiding judge of a people's court finds an error in a judgment which has been given in the court over which he presides, the case may then be retried according to the judicial supervision procedures. The death penalty shall be reported to the Supreme People's Court for approval unless it is otherwise adjudged by the Supreme People's Court.

The Civil Procedure Law of the PRC (《中華人民共和國民事訴訟法》) (hereinafter referred to as "PRC Civil Procedure Law"), which was adopted on April 9, 1991 and last amended on June 27, 2017 and became effective on July 1, 2017, sets forth the criteria for instituting a civil case, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the PRC Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by an express agreement, select a competent court where civil actions may be brought, provided that the competent court has jurisdiction over either the plaintiff's or the defendant's place of residence, the place of execution or performance of the contract, the object of the action or locations which have substantial connections with the dispute. However, such selection cannot violate the stipulations of hierarchical jurisdiction and exclusive jurisdiction in any case.

A foreign individual or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may impose the same limitations to the citizens and enterprises of that foreign country within the PRC. If any party to a civil action refuses to comply with a judgment or order made by a people's court or an award granted by an arbitration panel in the PRC, the other party may apply to the people's court to request for enforcement of the judgment, order or award. There are time limits imposed on the right to apply for such enforcement and the time limit is two years. If a person fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by either party, mandatorily enforce the judgment.

A party seeking to enforce a judgment or order of a people's court against a party who is not located within the PRC and does not own any property in the PRC, may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgment or order. In the case of an application or request for recognition and enforcement of a legally effective judgment or order of a foreign court, the people's court shall, after having examined it in accordance with the international treaties entered into or acceded to by the PRC or with the principle of reciprocity and having arrived at the conclusion that it does not contravene the primary principles of the laws of the PRC nor violates its sovereignty, security or social and public interests, recognize the validity of the judgment or order, and, if required, issue a writ of enforcement and enforce it in accordance with the relevant regulations. If the application or request contravenes the primary principles of the laws of the PRC or violates its sovereignty, security or social and public interests, the people's court shall not recognize and enforce it.

THE COMPANY LAW, SPECIAL REGULATIONS AND MANDATORY PROVISIONS OF PRC

The PRC Company Law (《中華人民共和國公司法》) which was promulgated on December 29, 1993 by the Standing Committee of the NPC, last amended on December 28, 2013 and came into effect on March 1, 2014 regulates the organization and operation of companies and protects the legitimate rights and interests of companies, shareholders and creditors. The latest amendment to the PRC Company Law in 2013 has canceled the restriction on the minimum registered capital and replaced the registered paid-up share capital system by the registered subscribed capital system.

The Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (《國務院關於股份有限公司境外募集股份及上市的特別規定》) (hereinafter referred to "Special Regulations") were promulgated by the Standing Committee Meeting of the State Council, and took effect on August 4, 1994. The Special Regulations are formulated according to the Company Law (1993) in respect of the overseas share subscription and listing of joint stock limited companies. The Mandatory Provisions were issued jointly by the former Securities Commission of the State Council and the former State Economic Restructuring Commission on August 27, 1994, prescribing provisions which must be incorporated into the articles of association of joint stock limited companies to be listed overseas. Accordingly, the Mandatory Provisions have been incorporated in the Articles of Association (which are summarized in "Appendix VI — Summary of the Articles of Association"). The term "company" as mentioned in the Appendix refers to a joint stock limited liability company established in accordance with the provisions of the PRC Company Law which is qualified for H-share issuance.

Copies of the Chinese text of the PRC Company Law, Special Regulations and the Mandatory Provisions together with copies of their unofficial English translations thereof are available for inspection as mentioned in "*Appendix VIII — Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection.*"

Main provisions in PRC Company Law, Special Regulations and Mandatory Provisions are summarized as follows:

General

A joint-stock limited liability company (hereinafter referred to as "company") is a corporate legal person incorporated under the PRC Company Law, whose registered capital is divided into shares of equal nominal value. The liability of its shareholders is limited to the extent of the shares held by them, and the liability of the company is limited to the full amount of all the assets owned by it.

The company may invest in other enterprises. However, the Company shall not become a capital contributor that shall bear the joint liabilities for the debts of the enterprise it invests in, unless it is otherwise provided for by any law. A state-owned enterprise that is restructured into a company must comply with the conditions and requirements specified by law and administrative regulation, for the modification of its operation mechanisms, the systematic handling and evaluation of our company's assets and liabilities and the establishment of internal management organs.

Incorporation

A company may be incorporated by promotion or subscription. A company may be incorporated by two to 200 promoters, but at least half of the promoters must reside in the PRC. Companies incorporated by promotion are companies with the registered capital entirely subscribed for by the promoters. Where companies are incorporated by subscription, the promoters are required to subscribe for not less than 35% of the total number of shares of a company unless otherwise stipulated by laws and regulations, and the remaining shares can be offered to the public or specific persons, unless otherwise required by law.

For a company incorporated by promotion, the registered capital has to be the total capital subscribed for by all promoters as registered with the company registration authority. It shall not raise capital from others before the promoters fully pay the capital subscribed by them; for companies established by public subscription, the registered capital is the amount of total paid-up capital as registered with the company registration authority.

The promoters shall convene an inaugural meeting within thirty (30) days after the issued shares have been fully paid up, and shall fifteen (15) days before the meeting notify all subscribers or make a public announcement of the date of the inaugural meeting.

The inaugural meeting may be convened only with the presence of shareholders holding shares representing more than 50% of the total issued shares of the company. At the inaugural meeting, matters including the adoption of draft articles of association proposed by the promoter(s) and the election of the board of directors and the supervisory committee of the company will be dealt with. All resolutions of the meeting require the approval of subscribers with more than half of the voting rights present at the meeting.

Within thirty (30) days after the conclusion of the inaugural meeting, the board of directors shall apply to the company registration authority for registration of the establishment of the company. The company is formally established and has the status of a legal person after the approval for registration has been given and a business license has been issued.

Where after the incorporation of a company, a promoter fails to pay in full the subscription moneys in accordance with the provisions of the company's articles of association, he shall pay them in full; and the other promoters shall bear joint and several liability. Where it is discovered that the actual evaluation of the non-currency property used as capital contributions for the incorporation of the company is obviously less than the evaluation prescribed by the company' articles of association, the promoters making such contributions shall make up the difference; and the other promoters shall bear joint and several liability.

The promoters of a company shall bear the following liabilities:

Where the company cannot be incorporated, they shall bear the joint and several liability for all the debts and expenses incurred in the act of incorporation;

Where the company cannot be incorporated, they shall bear the joint and several liability for refunding the subscription moneys paid by the subscribers, plus their bank deposit interest calculated for the same period of time; and

Where the interests of the company are impaired due to the fault committed by the promoters in the process of the incorporation of the company, they shall bear the liability to pay compensation to the company.

Share Capital

The promoters of a company can make capital contributions in cash or in kind, that can be valued in currency and transferable according to law such as intellectual property rights or land use rights based on their appraised value, except for the property that is not allowed to be used as capital contributions, as is provided for by laws or administrative regulations.

If capital contribution is made other than in cash, valuation and verification of the property contributed must be carried out and converted into shares according to the laws. Non-current property used for capital contributions shall be evaluated and verified, and shall not be overvalued or undervalued. Where laws or administrative regulations provide otherwise, those provisions shall prevail.

A company may issue registered or bearer shares. However, shares issued to promoter(s) or legal person(s) shall be in the form of registered shares and shall be registered under the name(s) of such promoter(s) or legal person(s) and shall not be registered under a different name or the name of a representative.

The Special Regulations and the Mandatory Provisions provide that shares issued to foreign investors and listed overseas shall be issued in registered form and shall be denominated in Renminbi and subscribed for in foreign currency.

Under the Special Regulations and the Mandatory Provisions, shares issued to foreign investors and investors from the territories of Hong Kong Special Administrative Region, Macau Special Administrative Region, the Region of Taiwan and listed overseas are known as overseas listed foreign invested shares, and those shares issued to investors within the PRC other than the territories specified above are known as domestic shares which take the form of registered shares.

A company may offer its shares to the public overseas with approval by the securities administration department of the State Council. Specific provisions shall be specifically formulated by the State Council. Under the Special Regulations, upon approval of CSRC, a company may agree, in the underwriting agreement in respect of an issue of overseas listed foreign invested shares, to retain not more than 15% of the aggregate number of overseas listed foreign invested shares proposed to be issued after accounting for the number of underwritten shares.

The shares shall be issued in compliance with the principles of fairness and impartiality. The shares of the same class must carry the same rights. Shares shall be issued on the same conditions and at the same price. All units and individuals shall pay the same price for each of the share they subscribe for. The share offering price may be equal to or greater than nominal value, but shall not be less than nominal value.

Shares issued by a company with limited liability may be either registered shares or bearer shares. The transfer of shares by shareholders should be conducted via the legally established stock exchange or in accordance with other methods as stipulated by the State Council. Transfer of registered shares by a shareholder must be made by means of an endorsement or by other means stipulated by law or administrative regulation. Bearer shares are transferred by delivery of the share certificates to the transferee.

Shares held by a promoter of a company shall not be transferred within one year after the date of the company's incorporation. Shares issued by a company prior to the public offer of its shares shall not be transferred within one year from the date of listing of the shares of the company on a stock exchange. Directors, supervisors and senior management of a company shall not transfer over 25% of the shares held by each of them in the company each year during their term of office and shall not transfer any share of the company held by each of them within one year after the listing date. There is no restriction under the PRC Company Law as to the percentage of shareholding a single shareholder may hold in a company.

Transfers of shares may not be entered in the register of shareholders within 20 days before the date of a shareholders' meeting or within five days before the benchmark date determined by the company for distribution of dividends.

Increase in Capital

Under the PRC Company Law, an increase in the capital of a company by means of an issue of new shares must be approved by shareholders in general meeting.

Save for the above-mentioned shareholder approval requirement, for a public offering of new shares, the PRC Securities Law (《中華人民共和國證券法》) (hereinafter referred to as "Securities Law") provides that the company shall: (i) have a sound organizational structure with satisfactory operating record; (ii) have the capability of continuing profitability and a healthy financial position; (iii) have no false statements and other material breaches in the financial and accounting documents of the last three years; (iv) fulfill other conditions required by the securities administration department of the State Council as approved by the State Council.

Public offer requires the approval of the securities administration department of the State Council.

After payment in full for the new shares issued, a company must change its registration with the company registration authority and issue a public notice accordingly.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the PRC Company Law:

(i) the company shall prepare a balance sheet and an inventory of the assets;

(ii) the reduction of registered capital must be approved by shareholders in general meeting;

(iii) the company shall inform its creditors of the reduction in registered capital within ten (10) days and publish an announcement of the reduction in the newspaper within thirty (30) days after the resolution approving the reduction has been passed;

(iv) the creditors of the company may within the statutory prescribed time limit require the company to pay its debts or provide guarantees covering the debts; The creditors shall, within thirty (30) days from the date they receive the written notice, or within forty five (45) days from the date the announcement is made in the case of those who have not received such written notice, have the right to claim full repayment of their debts or provision of a corresponding guarantee from the company; and

(v) the company must apply to the company registration authority for registration of the reduction in registered capital.

Repurchase of Shares

A company may not purchase its own shares other than for the purpose of:

(i) reducing the registered capital of the company; or

(ii) merging with another company holding shares of this company; or

(iii) awarding the employees of this company with shares; or

(iv) purchasing the company's own shares upon request of its shareholders who vote against the resolution regarding the merger or division of the company in a general meeting.

Purchase of its own shares by a company due to the reasons specified in Subparagraph (i), (ii) or (iii) of the preceding paragraph shall be subject to resolution adopted by the shareholders' general meeting. Where a company purchases its own shares on grounds of Subparagraph (i) as specified in the preceding paragraph, such shares shall be canceled within 10 days from the date it purchases them; and where the shares are purchased on grounds of Subparagraph (ii) or (iv), such shares shall be transferred or canceled within six months.

The number of its own shares purchased by a company in accordance with the provisions of Subparagraph (iii) of the first paragraph shall not exceed five percent of the total number of the shares issued by the company; the funds used for such purchase shall be allotted from the after-tax profits of the company; and the shares purchased shall be transferred to its staff and workers within one year.

A company shall not accept its own shares as the subject matter of a mortgage.

Transfer of Shares

Shares may be transferred in accordance with the relevant laws and regulations.

Registered shares shall be transferred by means of endorsement by shareholders or by such other means as provided for by laws or administrative regulations; and after such transfer, the company shall register the names or titles and domiciles of the transferees in its roster of shareholders. No registration of modification to the roster of shareholders as stipulated by the preceding paragraph shall be made within the period of 30 days prior to the convening of a meeting of the shareholders' general meeting or within the period of 5 days prior to the date of record on which the company decides to distribute dividends.

Transfer of bearer shares shall become effective immediately after a shareholder delivers such share certificates to a transferee.

Shares held by the promoters of a company shall not be transferred within one year from the date the company is incorporated. Directors, supervisors and senior managers of a company shall declare to the company the numbers of the company's shares held by them and the changes of the shares they hold, and the number of the company's shares annually transferred by each of them during their term of office shall not exceed 25% of the total number of the company's shares held by them respectively; The company's shares held by the persons mentioned above shall not be transferred within six months after they leave office. The company's articles of association may stipulate other restrictive provisions on the transfer of the company's shares held by the directors, supervisors and senior managers of the company.

Shareholders

Shareholders have such rights and obligations as set forth in the articles of association of a company. The articles of association of a company are binding on each shareholder. Under the PRC Company Law and the Mandatory Provisions, the rights of a shareholder include:

(i) to attend in person or appoint a proxy to attend shareholders' general meetings, and to vote in respect of the number of shares held;

(ii) to transfer his shares in accordance with applicable laws and regulations and the articles of association of the company;

(iii) to inspect the company's articles of association, shareholders' registers, records of debentures, minutes of shareholders' general meetings, board resolutions, supervisors resolutions, financial and accounting reports and put forward proposals or raise questions about the business operations of the company;

(iv) if any directors or senior officers damages the shareholder's interests by violating law or administrative regulations or articles of association, the shareholders may lodge an action in the people's court;

(v) to receive dividends and other distributions in respect of the number of shares held;

(vi) to obtain surplus assets of the company upon its termination in proportion to his or her shareholding; to claim against other shareholders who abuse their shareholders' rights for the damages; and

(vii) any other shareholders' rights specified in the company's articles of association.

The obligations of a shareholder include the obligation to abide by the company's articles of association, to pay the subscription monies in respect of the shares subscribed for, to be liable for the company's debts and liabilities to the extent of the amount of subscription monies agreed to be paid in respect of the shares taken up by him/her, not to abuse shareholders' right to damage the interests of the company or other shareholders of the company; not to abuse the independent status of the company as a legal person and the limited liability to damage the interests of the creditors of the company and any other shareholders' obligation specified in the company's articles of association.

Shareholders' General Meeting

The shareholders' general meeting is the organ of authority of a company, which exercises its powers in accordance with the PRC Company Law.

The shareholders' general meeting exercises the following principal powers:

(i) to decide on the company's operational policies and investment plans;

(ii) to elect or replace the directors, supervisors who are not representatives of the employees and decide on matters relating to the remuneration of directors and supervisors;

(iii) to consider and approve reports of the board of directors;

(iv) to consider and approve reports of the supervisory committee;

(v) to consider and approve the company's proposed annual financial budget and financial accounts;

(vi) to consider and approve the company's proposals for profit distribution and for recovery of losses;

(vii) to decide on any increase or reduction in the company's registered capital;

(viii) to decide on the issue of bonds by the company;

(ix) to decide on issues such as merger, division, dissolution, liquidation or change of the form of the company and other matters;

(x) to amend the articles of association of the company; and

(xi) other powers specified in the articles of association of the company.

A shareholders' general meeting is required to be held once every year. An extraordinary shareholders' general meeting is required to be held within two months after the occurrence of any of the following circumstances:

(i) the number of directors is less than the number provided for in the PRC Company Law or less than two-thirds of the number specified in the company's articles of association;

(ii) the losses of the company which are not made up reach one-third of the company's total paid up share capital; a request by a shareholder that holds, or by shareholders that hold in aggregate, 10% or more of the company's shares;

(iii) when deemed necessary by the board of directors;

(iv) when the supervisory committee proposes convening it; or

(v) other matters required by the company's articles of association.

Shareholders' general meetings shall be convened by the board of directors, and presided over by the chairman of the board of directors. If the chairman is incapable of performing or not performing his duties, the meeting shall be presided over by the vice chairman. If the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of directors shall preside over the meeting. Where the board of directors is incapable of performing or not performing its duties of convening the shareholders' general meeting, the supervisory committee shall convene and preside over such meeting in a timely manner. In case the supervisory committee fails to convene and preside over such meeting, shareholders alone or in aggregate holding more than 10% of the total shares of the company for ninety (90) days consecutively may unilaterally convene and preside over such meeting.

Notice of the shareholders' general meeting shall be given to all shareholders twenty (20) days before the meeting under the PRC Company Law and forty five (45) days under the Special Regulations and the Mandatory Provisions, stating the matters to be considered at the meeting. Under the Special Regulations and the Mandatory Provisions, shareholders wishing to attend are required to give to the company written confirmation of their attendance twenty (20) days prior to the meeting.

Shareholders present at a shareholders' general meeting have one vote for each share they hold, but the company shall have no vote for any of its own shares the company holds.

Resolutions proposed at the shareholders' general meeting shall be adopted by more than half of the voting rights cast by shareholders present (including those represented by proxies) at the meeting, with the exception of matters relating to merger, division, dissolution, increase or reduction in registered capital, change in the form of the company or amendments to the articles of association which shall be adopted by shareholders with two-thirds or more of the voting rights cast by shareholders present (including those represented by proxies) at the meeting.

Shareholders may entrust a proxy to attend shareholders' general meetings on his or her behalf by a power of attorney which sets forth the scope of exercising the voting rights.

There is no specific provision in the PRC Company Law regarding the number of shareholders constituting a quorum in a shareholders' meeting. However, the Special Regulations and the Mandatory Provisions provide that a company's annual general meeting may be convened when replies to the notice of that meeting from shareholders holding shares representing 50% or more of the voting rights in the company have been received twenty (20) days before the proposed date, or if that 50% level is not achieved, the company shall within five days of the last day for receipt of the replies notify shareholders by public announcement of the matters to be considered at the meeting and the date and place of the meeting and the annual general meeting may be held thereafter. The Mandatory Provisions require class meetings to be held in the event of a variation or derogation of the class rights of a class. Holders of domestic invested shares and holders of overseas listed foreign invested shares are deemed to be different classes of shareholders for this purpose.

Where holders of bearer shares intend to attend a meeting of the shareholders' general meeting, they shall deposit their share certificates with the company for a period beginning from five (5) days prior to the convening of the meeting to the end of the meeting.

Board of Directors

A company shall have a board of directors, which shall consist of 5 to 19 members and there can be staff representatives of the company. Under the PRC Company Law, each term of office of a director shall not exceed three years. A director may serve consecutive terms if re-elected.

Meetings of the board of directors shall be convened at least twice a year. Notice of meeting shall be given to all directors and supervisors at least ten (10) days before the meeting. The board of directors may provide for a different method of giving notice and notice period for convening an extraordinary meeting of the board of directors.

Under the PRC Company Law, the board of directors exercises the following powers:

(i) to convene the shareholders' general meeting and report on its work to the shareholders;

(ii) to implement the resolution of the shareholders' general meeting;

(iii) to decide on the company's business plans and investment plans;

(iv) to formulate the company's proposed annual financial budget and final accounts;

(v) to formulate the company's proposals for profit distribution and for recovery of losses;

(vi) to formulate proposals for the increase or reduction of the company's registered capital and the issue of corporate bonds;

(vii) to prepare plans for the merger, division, dissolution or change of the form of the company;

(viii) to decide on the company's internal management structure;

(ix) to appoint or dismiss the company's general manager, and based on the president's recommendation, to appoint or dismiss deputy general manager and financial officers of the company and to decide on their remuneration;

(x) to formulate the company's basic management system; and

(xi) any other power given under the articles of association of the company.

In addition, the Mandatory Provisions provide that the board of directors is also responsible for formulating the proposals for amendment of the articles of association of a company.

Meetings of the board of directors shall be held only if more than half of the directors are present. Resolutions of the board of directors require the approval of more than half of all directors.

If a director is unable to attend a board meeting, he may appoint another director by a written power of attorney specifying the scope of the authorization to attend the meeting on his behalf.

If a resolution of the board of directors violates the laws, administrative regulations or the company's articles of association as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proven that a director expressly objected to the resolution when the resolution was voted on, and that such objections were recorded in the minutes of the meeting, such director may be relieved of that liability.

Qualification of Directors

Under the PRC Company Law, the following persons may not serve as a director of a company:

(i) persons without civil capacity or with restricted civil capacity;

(ii) persons who have committed the offense of corruption, bribery, taking of property, misappropriation of property or destruction of the social economic order, and have been sentenced to criminal punishment, where less than five years have elapsed since the date of completion of the sentence; or persons who have been deprived of their political rights due to criminal offense, where less than five years have elapsed since the date of the completion of implementation;

(iii) persons who are former directors, factory managers or managers of a company or enterprise which has become bankrupt and been liquidated due to mismanagement and who are personally liable for the bankruptcy of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;

(iv) persons who have been legal representatives of a company or enterprise which had its business license revoked or business operation shut down due to violation of the law and who are personally liable, where less than three years have elapsed since the date of the revocation of the business license;

(v) persons who have a relatively large amount of debt due and outstanding; or

(vi) other circumstances under which a person is disqualified from acting as a director of a company are set out in the Mandatory Provisions (which have been incorporated in the Articles of Association, a summary of which is set out in "*Appendix VI — Summary of the Articles of Association*").

The board of directors shall appoint a chairman, who is elected with approval of more than half of all the directors. The chairman of the board of directors exercises, among others, the following powers:

(i) to preside over shareholders' general meetings and convene and preside over meetings of the board of directors; and

(ii) to check on the implementation of the resolutions of the board of directors.

The legal representative of a company in accordance with the Mandatory Provisions, is the chairman of the board of directors. The Special Regulations provide that a company's directors, supervisors, managers and other officers bear fiduciary duties and the duty to act diligently. They are required to faithfully perform their duties, protect the interests of the company and not to use their positions for their own benefit. The Mandatory Provisions (which have been incorporated into the Articles of Association, a summary of which is set out in "*Appendix VI — Summary of Articles of Association*") contain further elaborations of such duties.

Directors shall be liable for the resolutions adopted by the board of directors. Where a resolution of the board violates laws, administrative regulations, or the company's articles of association, and thus causes serious losses to the company, the directors participating in the adoption of such a resolution shall be liable for compensation to the company. However, where a director is proved to have expressed his objection to such a resolution when it was put to the vote and his objection was recorded in the minutes of the meeting, he may be exempted from such liability.

Supervisors

A company shall have a supervisory committee composed of not less than three members. Each term of office of a supervisor is three years and he may serve consecutive terms if re-elected. A supervisor shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office or if the resignation of supervisor results in the number of supervisors being less than the quorum. The supervisory committee is made up of shareholders' representatives and an appropriate proportion of the company's staff representatives; and the percentage of the number of the company's staff representatives shall not be less than one-third. Directors and senior management shall not act as supervisors.

Requirements in relation to the power of the supervisory committee under the PRC Company Law are as follows:

(i) to examine the company's financials;

(ii) to supervise the directors and senior management in their performance of duties and to propose the removal of any director or senior management who violates the laws, regulations, articles of association or shareholders' resolution;

(iii) to require any director or senior management whose act is detrimental to the company's interests to rectify such act;

(iv) to propose the convening of extraordinary shareholders' general meetings and, in the event that the board of directors fails to perform the duties of convening and presiding shareholders' meetings, to convene and preside over shareholders' meetings;

(v) to propose any motions to shareholders' general meetings;

(vi) to commence any action against any directors or senior management; and

(vii) other powers specified in the company's articles of association.

The circumstances under which a person is disqualified from being a director of a company described above apply mutates mutandis to supervisors of a company.

The Special Regulations provide that a company's directors and supervisors shall have fiduciary duties. They are required to faithfully perform their duties, protect the interest of the company and not to use their positions for their own benefit.

Supervisors may attend board meetings and make enquiries or proposals in respect of board resolutions. The supervisory committee or (where there is no supervisory committee) the supervisors of a company may initiate investigations into any irregularities identified in the operation of the company and, where necessary, may engage an accountant to assist in their work. Expenses incurred by the supervisory committee to exercise their power shall be borne by the company.

Meetings of the supervisory committee shall be convened at least every six months. Interim meetings of the supervisory committee can be convened by the supervisors. According to the PRC Company Law, resolutions of the supervisory committee require the approval of more than half of all supervisors, and pursuant to the Letter of Opinions on the Supplementation and Amendment of Articles of Association of Companies Listing in Hong Kong (《關於到香港上市公司對公司章程作補充修改的意見的函》) (Zheng Jian Hai Han [1995] No. 1) promulgated by the CSRC on April 3, 1995, resolutions of the supervisory committee require the approval of more than two-thirds of all supervisors. Each supervisor shall have one vote for resolutions to be approved by the supervisory committee. Minutes shall be prepared in respect of matters considered at the meeting of the supervisory committee and supervisors attending the meeting shall sign to endorse such minutes.

The supervisory committee shall have one chairman and may have one vice-chairman. Both shall be elected by more than half of all the supervisors. The chairman of the supervisory committee shall convene and preside over the meeting of the supervisory committee; where the chairman of the supervisory committee cannot perform the functions or fails to do so, the vice-chairman shall convene and preside over the meeting of the supervisory committee; and where the vice-chairman cannot perform the functions or fails to do so, a supervisor jointly elected by half or more of the supervisors shall convene and preside over the meeting of the supervisory committee.

Managers and Other Senior Officers

"Senior manager" refers to the manager, vice manager, person in charge of finance of a company, and the secretary of the board of directors of a listed company as well as any other person as stipulated in the articles of association.

A company shall have a manager who shall be appointed or removed by the board of directors.

The manager is accountable to the board of directors and may exercise the following powers:

(i) in charge of the production, operation and management of the company and arrange for the implementation of resolutions of the board of directors;

(ii) arrange for the implementation of the company's annual business and investment plans;

(iii) formulate plans for the establishment of the company's internal management structure;

(iv) formulate the basic administration system of the company;

(v) formulate the company's internal rules;

(vi) recommend the appointment and dismissal of deputy managers and any financial officer and appoint or dismiss other senior administration officers (other than those required to be appointed or dismissed by the board of directors);

(vii) attend board meetings as a non-voting attendant; and

(viii) other powers conferred by the board of directors or the company's articles of association.

The Special Regulations and the Mandatory Provisions provide that the other senior management officers of a company include the financial officer, secretary of the board of directors and other executives as specified in the articles of association of the company.

The circumstances under which a person is disqualified from being a director of a company also apply to managers and officers of the company.

The articles of association of a company shall have binding effect on the shareholders, directors, supervisors, managers and other senior management of the company. Such persons shall be entitled to exercise their rights, apply for arbitration and issue legal proceedings according to the articles of association of the company. The provisions of the Mandatory Provisions regarding the senior management of a company have been incorporated in the Articles of Association, a summary of which is set out in "*Appendix VI — Summary of Articles of Association.*"

Duties of Directors, Supervisors and Senior Officers

None of the following persons shall serve as a director, supervisor, or senior officers of a company:

(i) a person who has no or limited capacity for civil conduct;

(ii) a person who was sentenced to criminal punishment for embezzlement, bribery, seizure of property or misappropriation of property or for sabotage of the socialist market economic order, where less than five years have elapsed after the expiration of the period of execution; or a person who was deprived of his political rights for the commission of a crime, where less than five years have elapsed after the expiration of the period of execution;

(iii) a person who, being a director or the head or manager of a company or enterprise that went into bankruptcy and liquidation, was personally liable for the bankruptcy of the said company or enterprise, where less than three years have elapsed from the date liquidation of the company or enterprise is completed;

(iv) a person who, being the legal representative of a company or an enterprise, the business license of which was revoked for violation of law and which was ordered to close down, was personally liable for the above, where less than three years have elapsed from the date the business license of the company or enterprise is revoked; and

(v) a person who fails to liquidate a relatively large amount of personal debts when they are due.

A director, supervisor and senior officer of a company are required under the PRC Company Law to comply with the relevant laws, regulations and the company's articles of association, carry out their duties honestly and protect the interests of the company. They are also prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating the company's properties. Directors and senior management are prohibited from:

(i) misappropriation of company funds;

(ii) deposit of company funds into accounts under their own name or the name of other individuals;

(iii) loaning company funds to others or providing guarantees in favor of others supported by the company properties in violation of the articles of association or without prior approval of the shareholders' general meeting or board of directors;

(iv) entering contracts or deals with the company in violation of the articles of association or without prior approval of the shareholders' general meeting or board of directors;

(v) using their position to procure business opportunities for themselves or others that should have otherwise been available to the company or operating for their own benefit or managing on behalf of others businesses similar to that of the company without prior approval of the shareholders' general meeting;

(vi) accepting for their own benefit commissions from other parties dealing with the company;

(vii) unauthorized divulgence of confidential information of the company; or

(viii) other acts in violation of their duty of loyalty to the company.

A director, supervisor and senior officer of a company is also under a duty of confidentiality to the company.

A director, supervisor and senior officer who contravenes any law, regulation or the company's articles of association in the performance of his duties which results in any loss to our company shall be personally liable to the company.

The Special Regulations and the Mandatory Provisions provide that a director, supervisor and senior officer of a company owe fiduciary duties to the company and are required to perform their duties faithfully and to protect the interests of the company and not to make use of their positions in the company for their own benefit.

Where the attendance of a director, supervisor, or senior officer is requested by the shareholders' general meeting, such director, supervisor, or other senior officer shall attend the meeting as requested and answer enquiries of shareholders. Directors and senior officers shall furnish with all truthfulness facts and information to the supervisory committee without obstructing the discharge of duties by the supervisory committee.

A company shall not directly, or through its affiliate, provide loans to any director, supervisor or senior management and shall regularly disclose to the shareholders any information regarding remunerations received by the directors, supervisors or senior management of the company.

Finance and Accounting

A company shall establish its financial and accounting systems according to laws, administrative regulations and the provisions of the responsible financial department of the State Council and at the end of each financial year, prepare a financial report which shall be audited and verified as provided by law.

A company shall deposit its financial statements at the company for inspection by the shareholders at least 20 days before the convening of the annual general meeting of shareholders. A company incorporated by public subscription must publish its financial statements.

The common reserve of a company comprises the statutory surplus reserve, the discretionary common reserve and the capital common reserve.

When distributing each year's after-tax profits, the company shall set aside 10% of its after-tax profits for the company's statutory surplus reserve (except where the reserve has reached 50% of the company's registered capital). After a company has made an allocation to its statutory common reserve from its after-tax profits, subject to a resolution of the shareholders' general meeting, the company may make an allocation to a discretionary common reserve.

When the company's statutory surplus reserve is not sufficient to make up for the company's losses of the previous years, current year profits shall be used to make up for the losses before allocations are set aside for the statutory surplus reserve.

After the company has made up for its losses and make allocations to its statutory surplus reserve the remaining profits could be available for distribution to shareholder in proportion to the number of shares held by the shareholders except as otherwise provided in the articles of association of such company limited by shares.

The capital common reserve of a company is made up of the premium over the nominal value of the shares of the company on issue and other amounts required by the relevant governmental authority to be treated as the capital common reserve.

The common reserve of a company shall be applied for the following purposes:

(i) to make up the company's losses other than the capital common reserve;

(ii) to expand the business operations of the company; and

(iii) to increase the registered capital of the company by the issue of new shares to shareholders in proportion to their existing shareholdings in the company or by increasing the nominal value of the shares currently held by the shareholders. If the statutory surplus reserve is converted into registered capital, the balance of the statutory surplus reserve after such conversion shall not be less than 25% of the registered capital of the company before such conversion.

The company shall have no other accounting books except the statutory accounting books. The company's assets shall not be deposited in any accounts opened in the name of an individual.

Appointment and Retirement of Auditors

The Special Regulations require a company to employ an independent PRC qualified accounting firm to audit the company's annual report and to review and check other financial reports.

The auditors are to be appointed for a term commencing from the close of an annual general meeting and ending at the close of the next following annual general meeting.

Appointment or dismissal of auditors in charge of the auditing business of a company shall be subject to decision by the shareholders' general meeting or the meeting of the board of directors in accordance with the provisions of the company's articles of association. Where the shareholders' meeting, the shareholders' general meeting or meeting of the board of directors of a company votes on the dismissal of an accounting firm, it shall allow the accountants to state their opinions. A company shall provide authentic and complete accounting vouchers, accounting books, financial and accounting reports and other accounting data to the accountants it appoints, and shall not refuse to do so, or conceal the facts or make false reports about them. The period of appointment of the accountants starts from the date when the first annual shareholders meeting ends to the date when the next annual shareholders meeting ends.

If a company removes or ceases to continue to appoint the auditors, it is required by the Special Regulations to give prior notice to the auditors and the auditors are entitled to make representations before the shareholders in general meeting. The appointment, removal or non re-appointment of auditors shall be decided by the shareholders at shareholders' general meetings and shall be filed with the CSRC for record.

A company shall not have any other accounting books in addition to the statutory accounting books. No accounts shall be opened in the name of any individual for deposit of the assets of a company.

Distribution of Profits

The PRC Company Law provides that a company is restricted from distributing profits before accumulated losses have been made up and statutory common reserve has been drawn. The Special Regulations provide that the dividends and other distributions to be paid to holders of overseas listed foreign invested shares shall be declared and calculated in Renminbi and paid in foreign currency. Under the Mandatory Provisions, the payment of foreign currency to shareholders shall be made through a receiving agent.

Amendments to Articles of Association

Any amendments to the company's articles of association must be made in accordance with the procedures set forth in the company's articles of association. Any amendment of provisions incorporated in the articles of association in connection with the Mandatory Provisions will only be effective after approval by the companies approval department authorized by the State Council and the CSRC. In relation to matters involving the company's registration, its registration with the authority must also be changed.

Dissolution and Liquidation

Under the PRC Company Law, a company shall be dissolved in any of the following events:

(i) the term of its operations set down in its articles of association has expired or events of dissolution specified in its articles of association have occurred;

(ii) the shareholders in general meeting have resolved to dissolve the company;

(iii) the company is dissolved by reason of its merger or demerger;

(iv) the company is subject to the revocation of business license, a closure order or elimination in accordance with laws; or

(v) in the event that the company encounters substantial difficulties in its operation and management and its continuance shall cause a significant loss, in the interest of shareholders, and where this cannot be resolved through other means, shareholders who hold more than 10% of the total shareholders' voting rights of the company may present a petition to the people's court for the dissolution of the company.

Where the company is dissolved in the circumstances described in (i), (ii), (iv) and (v) above, a liquidation committee must be formed within fifteen (15) days after the occurrence of the cause of dissolution so as to carry out liquidation. Members of the liquidation committee shall be composed of the directors or people as determined by the shareholders' meeting.

If a liquidation committee is not established within the stipulated period, the company's creditors can apply to the people's court for its establishment.

The liquidation committee shall notify the company's creditors within ten days (10) after its establishment, and issue a public notice in the newspapers within sixty (60) days. A creditor shall lodge his claim with the liquidation committee within thirty (30) days after receiving notification, or within forty five (45) days of the public notice if he did not receive any notification. The liquidation committee shall exercise the following powers during the liquidation period:

(i) to handle the company's assets and to prepare a balance sheet and an inventory of the assets;

(ii) to notify creditors or issue public notices;

(iii) to deal with and settle any outstanding business of relevant company;

(iv) to pay any tax overdue;

(v) to settle the company's claims and liabilities;

(vi) to handle the surplus assets of the company after its debts have been paid off; and

(vii) to represent the company in civil lawsuits.

If the company's assets are sufficient to meet its liabilities, they shall be applied towards the payment of the liquidation expenses, wages owed to the employees and labor insurance expenses, tax overdue and debts of the company. Any surplus assets shall be distributed to the shareholders of the company in proportion to the number of shares held by them.

During the liquidation period, a company shall not engage in operating activities unrelated to the liquidation.

If the liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it must immediately apply to the people's court for a declaration for bankruptcy according to the laws. Following such declaration, the liquidation committee shall hand over all affairs of the liquidation to the people's court.

Upon completion of the liquidation, the liquidation committee shall submit a liquidation report to the shareholders' general meeting or the people's court for confirmation. Thereafter, the report shall be submitted to the company registration authority in order to cancel the company's registration, and a public notice of its termination shall be issued.

Members of the liquidation committee are required to discharge their duties honestly and in compliance with relevant laws. A member of liquidation committee is liable to indemnify the company and its creditors in respect of any loss arising from his willful or material default.

Loss of Share Certificates

A shareholder may apply, in accordance with the relevant provisions set out in the PRC Civil Procedure Law, to a people's court in the event that share certificates in registered form are either stolen or lost, for a declaration that such certificates will no longer be valid. After such a declaration has been obtained, the shareholder may apply to the company for the issue of replacement certificates.

The Mandatory Provisions provide for a separate procedure regarding loss of H share certificates (which has been incorporated in the Articles of Association, a summary of which is set out in "*Appendix VI — Summary of Articles of Association*").

Merger and Demerger

Companies may merge through merger by absorption or through the establishment of a newly merged entity. If it merges by absorption, the company which is absorbed shall be dissolved. If it merges by forming a new corporation, both companies will be dissolved.

As for a corporate merger, both parties to the merger shall conclude an agreement with each other and formulate balance sheets and checklists of properties. The companies involved shall, within ten (10) days as of making the decision of merger, notify the creditors, and shall make a public announcement in a newspaper within thirty (30) days. The creditors may, within thirty (30) thirty days as of the receipt of the notice or within forty five (45) days as of the issuance of the public announcement if it fails to receive a notice, require the company to clear off its debts or to provide corresponding guarantees. In the case of a merger, the credits and debts of the companies involved shall be succeeded by the company that survives the merger or by the newly established company.

As for the division of a company, the properties thereof shall be divided accordingly, and balance sheets and checklists of properties shall be worked out. The company shall, within ten (10) days as of the day when the decision of division is made, notify the creditors and make a public announcement in a newspaper within thirty (30) days. The post-division companies shall bear joint liabilities for the debts of the former company before it is divided, unless it is otherwise prescribed by the company and the creditors before the division with regard to the clearance of debts in written agreement.

SECURITIES LAW AND REGULATIONS

The PRC has promulgated a number of regulations that relate to the issue and trading of the Shares and disclosure of information. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee was responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities related institutions in the PRC and administering the CSRC. The CSRC was the regulatory body of the Securities Committee and responsible for the drafting of regulatory provisions of securities markets, supervising securities firms, regulating public offers of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking research and analysis. In 1998, the State Council dissolved the Securities Committee of the State Council and assigned its function to the CSRC. The CSRC is also responsible for the regulation and supervision of the national stocks and futures market according to laws, regulations and authorizations.

The Securities Law took effect on July 1, 1999 and was last amended on August 31, 2014. This is the first securities law in the PRC, and it is divided into 12 chapters and 240 articles regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities firms and the duties and responsibilities of the State Council's securities regulatory authorities. The Securities Law comprehensively regulates activities in the PRC securities market. Article 238 of the Securities Law provides that a PRC company must obtain prior approval from the State Council's regulatory authorities to list its shares oversea. Article 239 of the Securities Law provides that specific provisions in respect of shares of companies in the PRC which are to be subscribed and traded in foreign currencies shall be separately formulated by the State Council. Currently, the issue and trading of foreign issued shares (including H Shares) are still governed by the rules and regulations promulgated by the State Council and the CSRC.

Overseas Listing

The shares of a company shall only be listed overseas after obtaining approval from the securities regulatory authority of the State Council and the listing must be arranged in accordance with procedures specified by the State Council.

According to the Special Regulations, a company's plan to issue overseas listed foreign invested shares and domestic invested shares which has been approved by the securities regulatory authority of the State Council may be implemented by the board of directors of a company by way of separate issues, within fifteen months after approval is obtained from the CSRC.

Suspension and Termination of Listing

All provisions on the suspension and termination of listing were deleted from the PRC Company Law. The following revisions were made in the Securities Law:

Where a listed company is in any of the following circumstances, the stock exchange shall decide to suspend the listing of its stocks:

(i) Where the total amount of capital stock or share distribution of the company changes and thus, fails to meet the requirements of listing;

(ii) Where the company fails to publicize its financial status according to the relevant provisions or has any false record in its financial statements, which may mislead the investors;

(iii) Where the company has in dissolution or has been declared insolvent;

(iv) Where the company has been operating at a loss for the latest 3 consecutive year; or

(v) Under any other circumstance as prescribed in the listing rules of the stock exchange.

According to the Securities Law, under the above (i) circumstances, and the company fails again to meet the requirements of listing within the period as prescribed by the stock exchange; and under the above (ii) circumstances, and the company refuses to make any correction; as well as under the above (iv) circumstances, and the company fails to gain profits in the year thereafter; the stock exchange shall decide to terminate the listing of its stocks.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

The Arbitration Law of the PRC (《中華人民共和國仲裁法》) (hereinafter referred to as "Arbitration Law") was passed by the Standing Committee of the NPC on August 31, 1994 and the latest version was amended on September 1, 2017 and came into effect on January 1, 2018. It is applicable to contract disputes and other property disputes between natural persons, legal persons and other organizations where the parties have entered into a written agreement to refer the matter to arbitration before an arbitration committee constituted in accordance with the Arbitration Law. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate provisional arbitration rules in accordance with the Arbitration Law and the PRC Civil Procedure Law. Where the parties have by agreement provided arbitration as the method for dispute resolution, the people's court will refuse to handle the case.

The Hong Kong Listing Rules and the Mandatory Provisions require an arbitration clause to be included in the Articles of Association and, in the case of the Hong Kong Listing Rules, also in contracts with each of the Directors and Supervisors, to the effect that whenever any disputes or claims arise between holders of the H Shares and us; holders of the H Shares and the Directors, Supervisors or officers; or holders of the Shares, in respect of any disputes or claims in relation to our affairs or as a result of any rights or obligations arising under the Articles of Association, the PRC Company Law or other relevant laws and administrative regulations, such disputes or claims shall be referred to arbitration.

Where a dispute or claim of rights referred to in the preceding paragraph is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, if they are shareholders, Directors, Supervisors, officers of us, shall be subject to the arbitration. Disputes in respect of who is the shareholder and those in relation to our register of shareholders need not be resolved by arbitration.

A claimant may elect for arbitration to be carried out at either the China International Economic and Trade Arbitration Commission ("CIETAC") in accordance with its rules or the Hong Kong International Arbitration Center ("HKIAC") in accordance with its securities arbitration rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant. If the claimant elects for arbitration to be carried out at the HKIAC, any party to the dispute or claim may apply for a hearing to take place in accordance with the securities arbitration rules of the HKIAC.

Under the Arbitration Law and the PRC Civil Procedure Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people's court for Enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration tribunal if there is any procedural or membership irregularity specified by law or the award exceeds the scope of the arbitration agreement or is outside the jurisdiction of the arbitration tribunal.

Under the Arbitration Law and the PRC Civil Procedure Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration commission if there is any procedural or membership irregularity specified by law or the award exceeds the scope of the arbitration agreement or is outside the jurisdiction of the arbitration commission.

A party seeking to enforce an arbitral award of PRC arbitration panel against a party who, or whose property, is not within the PRC, may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC. The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (hereinafter referred to as "New York Convention") adopted on June 10, 1958 pursuant to a resolution of the Standing Committee of the National People's Congress passed on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the State to which the application for enforcement is made. It was declared by the Standing Committee of the NPC simultaneously with the accession of the PRC that (i) the PRC will only recognize and enforce foreign arbitral awards on the principle of reciprocity and (ii) the PRC will only apply the New York Convention in disputes considered under PRC laws to arise from contractual and non-contractual mercantile legal relations.

In June 1999, an arrangement was made between Hong Kong and the Supreme People's Court of the PRC for the mutual enforcement of arbitral awards. This new arrangement was approved by the Supreme People's Court of the PRC and the Hong Kong Legislative Council, and became effective on February 1, 2000. The arrangement is made in accordance with the spirit of the New York Convention. Under the arrangement, awards made by PRC arbitration bodies pursuant to the Arbitration Law can be enforced in Hong Kong. Hong Kong arbitral awards pursuant to the Arbitration Ordinance of Hong Kong are also enforceable in the PRC.

ESTABLISHMENT OF OVERSEAS OPERATIONS RULES AND REGULATIONS

According to the Provisions for Overseas Investment Management (《境外投資管理辦法》) (MOFCOM Order No. 3) promulgated by the MOFCOM and took effect on October 6, 2014, and the Provisions on the Foreign Exchange Administration of Overseas Investment of Domestic Institutions (《境內機構境外直接投資外匯管理規定》) (Hui Fa [2009] No. 30) issued by the SAFE and took effect on August 1, 2009, upon obtaining approval from the MOFCOM to establish enterprises overseas, PRC enterprises shall apply for foreign exchange registration for overseas investments.

According to the Management Measures on Overseas Investment of Enterprise (《企業境外投資管理辦法》) (NDRC Order No. 11) promulgated by the NDRC and took effect on March 1, 2018, the investing activities of PRC enterprises such as acquiring overseas ownerships, controlling rights, operating and management rights and other relevant interests by way of investing assets and interests or providing financing and guarantees to control its overseas enterprises, either directly or indirectly, are required to obtain approval or lodge filing with NDRC in accordance with the relevant conditions of the overseas investment projects.

MATERIAL DIFFERENCES BETWEEN CERTAIN ASPECTS OF COMPANY LAW IN THE PRC AND HONG KONG

Hong Kong company law is primarily set out in the Companies Ordinance and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, supplemented by common law and rules of equity that apply to Hong Kong. As a joint stock limited company incorporated in the PRC, we are governed by the PRC Company Law and all other rules and regulations promulgated pursuant to the PRC Company Law. Set out below is a summary of certain material differences between Hong Kong company law and the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.

Corporate Existence

Under Hong Kong company law, a company with share capital is incorporated by the Registrar of Companies in Hong Kong, which issues a certificate of incorporation to the Company upon its incorporation, and the company will acquire an independent corporate existence henceforth. A company may be incorporated as a public company or a private company. Pursuant to the Companies Ordinance, the articles of association of a private company incorporated in Hong Kong shall contain certain pre-emptive provisions. A public company's articles of association do not contain such pre-emptive provisions.

Under the PRC Company Law, a joint stock limited company may be incorporated by promotion or public subscription.

Share Capital

Under the Companies Ordinance, the concept of the nominal value (also known as par value) of shares of a Hong Kong company has been abolished, and the companies have increased flexibility to alter its share capital by (i) increasing its share capital; (ii) capitalizing its profits; (iii) allotting and issuing bonus shares with or without increasing its share capital; (iv) converting its shares into larger or smaller number of shares; and (v) cancelling its shares. The concept of authorized capital no longer applies to a Hong Kong company formed on or after March 3, 2014 as well. Hence, the directors of a Hong Kong company may, with the prior approval of the shareholders, if required, cause the company to issue new shares. The PRC Company Law does not provide for authorized share capital. Any increase in the registered capital of a PRC company must be approved by its shareholders' general meeting and the relevant PRC governmental and regulatory authorities (if applicable).

Under the PRC Securities Law, a company which is authorized by the relevant securities regulatory authority to list its shares on a stock exchange must have a total share capital of not less than RMB30 million. The Companies Ordinance does not prescribe any minimum capital requirement for companies incorporated in Hong Kong.

Under the PRC Company Law, the shares may be subscribed for in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws or administrative regulations). For non-monetary assets to be used as capital contributions, appraisals must be carried out to ensure there is no over-valuation or under-valuation of the assets. There is no such restriction on a company incorporated in Hong Kong.

Restrictions on Shareholding and Transfer of Shares

Generally, domestic shares, which are denominated and subscribed for in Renminbi, may only be subscribed for or traded by the State, PRC legal persons, natural persons and other investment institutions as permitted by laws and regulations. Overseas listed shares, which are denominated in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for, and traded by, investors from Hong Kong, Macau and Taiwan or any country and territory outside the PRC, or qualified domestic institutional investors. If the H shares are eligible securities under the Southbound Trading Link, they may also be subscribed for and traded by PRC investors in accordance with the rules and limits of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

Under the PRC Company Law, a promoter of a joint stock limited company is not allowed to transfer the shares it holds for a period of one year after the date of establishment of the company. Shares in issue prior to a public offering of the company cannot be transferred within one year from the listing date of the shares on a stock exchange. Shares in a joint stock limited liability company held by its directors, supervisors and senior management and transferred each year during their term of office shall not exceed 25% of the total shares held by them in that company, and the shares they held in that company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after the said personnel has left office. The articles of association may set out other restrictive requirements on the transfer of a company's shares held by its directors, supervisors and senior management.

There are no restrictions on shareholdings and transfers of shares under Hong Kong law apart from (i) the restriction on the Company to issue additional Shares within six months, and (ii) 12-month lockup on Controlling Shareholders' disposal of Shares, after the Global Offering.

Financial Assistance for Acquisition of Shares

The PRC Company Law does not prohibit or restrict a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares. However, the Mandatory Provisions contain certain restrictions on a company and its subsidiaries on providing such financial assistance similar to those under Hong Kong company law.

Notice of Shareholders' Meetings

Under the PRC Company Law, notice of a shareholder's annual general meeting must be given not less than twenty (20) days before the meeting. Whereas notice of an extraordinary general meeting must be given not less than fifteen (15) days before the meeting. If a company issues bearer shares, notice of a shareholder's general meeting must be given at least thirty (30) days prior to the meeting. Under the Special Regulations and the Mandatory Provisions, at least forty five (45) days' written notice must be given to all shareholders in advance, and any shareholder who wishes to attend the meeting must reply in writing at least twenty (20) days before the date of the meeting.

For a company incorporated in Hong Kong with limited liability, the minimum period of notice of a general meeting is fourteen (14) days. Further, where a meeting involves consideration of a resolution requiring special notice, the company must also give its shareholders notice of the resolution at least fourteen (14) days before the meeting. The notice period for the annual shareholders' general meeting is twenty one (21) days.

Quorum for Shareholders' Meetings

The PRC Company Law does not specify any quorum requirement for a shareholders' general meeting, but the Special Regulations and the Mandatory Provisions provide that general meetings may only be convened when replies to the notice of that meeting have been received from shareholders whose shares represent at least 50% of the voting rights at least twenty (20) days before the proposed date of the meeting, or if that 50% level is not achieved, the company shall within five days notify its shareholders again by way of a public announcement and the shareholders' general meeting may be held thereafter.

Under Hong Kong law, the quorum for a shareholders' meeting is two members, unless the articles of association of a company specifies otherwise or the company has only one member, in which case the quorum is one.

Voting at Shareholders' Meetings

Under the PRC Company Law, the passing of any resolution requires more than one-half of the affirmative votes held by our Shareholders present in person or by proxy at a shareholders' meeting except in cases such as proposed amendments to our Articles of Association, increase or decrease of registered capital, merger, division, dissolution or transformation, which require two-thirds of the affirmative votes cast by shareholders present in person or by proxy at a shareholders' general meeting.

Under Hong Kong law, (i) an ordinary resolution is passed by a simple majority of affirmative votes cast by shareholders present in person, or by proxy, at a general meeting, and (ii) a special resolution is passed by not less than three-fourths of affirmative votes casted by shareholders present in person, or by proxy, at a general meeting.

Variation of Class Rights

The PRC Company Law makes no specific provision relating to variation of class rights. However, the PRC Company Law states that the State Council can promulgate requirements relating to other kinds of shares. The Mandatory Provisions contain detailed provisions relating to the circumstances which are deemed to be variations of class rights and the approval procedures required to be followed in respect thereof. These provisions have been incorporated in the Articles of Association, which are summarized in "*Appendix VI — Summary of Articles of Association*."

Under the Companies Ordinance, no rights attached to any class of shares can be varied except (i) with the passing of a special resolution by the shareholders of the relevant class at a separate meeting sanctioning the variation, (ii) with the written consent of shareholders representing at least three-fourths of the total voting rights of shareholders of the relevant class, or (iii) if there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions.

We have incorporated provisions to protect the rights of class shares into the Articles of Association in a similar way as required by the laws of Hong Kong in accordance with the Hong Kong Listing Rules and Mandatory Provisions. The Articles of Association define the holders of overseas listed shares and domestic shares as shareholders of different classes of shares. The special procedure for voting by class shareholders is not applicable in the following circumstances: (1) after approval by a special resolution in shareholders' general meeting, the Company issue domestic shares and overseas listed foreign shares separately or at the same time at an interval of 12 months, and the proposed number of domestic shares and overseas listed foreign shares to be issued respectively will not exceed 20% of the outstanding issued shares of such class; (2) the plans to issue domestic shares and overseas listed foreign shares upon establishment of the Company are completed within 15 months from the date of approval by the securities regulatory authority of the State Council; and (3) after the Company has issued H shares in an overseas region, and after approval has been granted by the State Council or the securities regulatory authority of the State Council, the shareholders of the Company offer the unlisted shares held by them for listing and dealing in overseas regions.

Derivative Action by Minority Shareholders

Under Hong Kong company law, a shareholder may, with the leave of the Court, start a derivative action on behalf of a company for any misconduct committed by its directors against the company. For example, leave may be granted where the directors control a majority of votes at a general meeting, and could thereby prevent the company from suing the directors in its own name.

Pursuant to the PRC Company Law, in the event where the directors and senior management of a joint stock limited company violate laws, administrative regulations or its articles of association, resulting in losses to the company, the shareholders individually or jointly holding over 1% of the shares in the company for more than 180 consecutive days may request in writing the supervisory committee to initiate proceedings in the people's court. In the event that the supervisory committee violates as such, the above said shareholders may send written request to the board of directors to initiate proceedings in the people's court. Upon receipt of such written request from the shareholders, if the supervisory committee or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days upon receipt of the request, or if under urgent situations, failure of initiating immediate proceedings may cause irremediable damages to the company, the above said shareholders shall, for the benefit of the company's interests, have the right to initiate proceedings directly to the court in their own name.

The Mandatory Provisions further provide us with certain remedies against the Directors, Supervisors and senior management who breach their duties to the Company. In addition, as a condition to the listing of overseas listed foreign shares on the Hong Kong Stock Exchange, each director and supervisor of a joint stock limited company is required to give an undertaking to observe the articles of association in favor of the company. This allows minority Shareholders to take action against our Directors and Supervisors in default.

Minority Shareholder Protection

Under the Companies Ordinance, a shareholder who alleges that the affairs of a company are conducted in a manner unfairly prejudicial to his interests may petition to the Court to make an appropriate order to give relief to the unfairly prejudicial conduct. Alternatively, pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, a shareholder may seek to wind up the company on the just and equitable ground. In addition, on the application of a specified number of members, the Financial Secretary may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated or registered in Hong Kong.

The PRC Company Law provides that any shareholders holding 10% or above of voting rights of all issued shares of a company may request a people's court to dissolve the company to the extent that the operation or management of the company experiences any serious difficulties and its continuous existence would cause serious losses to them, and no other alternatives can resolve such difficulties.

The Company, as required by the Mandatory Provisions, has adopted in its Articles of Association minority Shareholder protection provisions similar to (though not as comprehensive as) those available under the Hong Kong law. These provisions state that a controlling Shareholder may not exercise its voting rights in a manner prejudicial to the interests of other Shareholders, may not relieve a Director or Supervisor of his duty to act honestly in our best interests or may not approve the expropriation by a Director or Supervisor of our assets or the individual rights of other Shareholders.

Directors

The PRC Company Law, unlike Hong Kong company law, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on directors' authority in making major dispositions, restrictions on companies providing certain benefits to directors and indemnification in respect of directors' liability and prohibitions against compensation for loss of office without shareholders' approval. The Mandatory Provisions, however, contain certain requirements and restrictions on major disposals and director's interests in the subject matters to be discussed and specify the circumstances under which a director may receive compensation for loss of office.

Supervisory Committee

Under the PRC Company Law, a joint stock limited company's directors and senior management are subject to the supervision of a supervisory committee. There is no mandatory requirement for the establishment of a supervisory committee for a company incorporated in Hong Kong.

The Mandatory Provisions provide that each supervisor owes a duty, in the exercise of his powers, to act in good faith and honestly in what he considers to be in the best interests of the company and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Fiduciary Duties

In Hong Kong, directors owe fiduciary duties to the company, including the duty not to act in conflict with the company's interests. Furthermore, the Companies Ordinance has codified the directors' statutory duty of care.

Under the Special Regulations, directors, supervisors, managers and other members of senior management of the company shall honestly and diligently perform their duties for the company.

Financial Disclosure

Under the PRC Company Law, a joint stock limited company is required to make available at the company for inspection by shareholders its financial report 20 days before its annual general meeting. In addition, a joint stock limited company of which the shares are publicly offered must publish its financial report. The Companies Ordinance requires a company incorporated in Hong Kong to send to every shareholder a copy of its financial statements, auditors' report and directors' report, which are to be presented before the company in its annual general meeting, not less than twenty one (21) days before such meeting.

According to the PRC laws, a company shall prepare its financial accounting reports as at the end of each accounting year, and submit the same to accounting firms for auditing as required by law. The Mandatory Provisions require that a company must, in addition to preparing financial statements according to the CAS, have its financial statements prepared and audited in accordance with international or Hong Kong accounting standards and its financial statements must also contain a statement of the financial effect of the material differences (if any) from the financial statements prepared in accordance with the CAS.

The Special Regulations require that there should not be any inconsistency between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously.

Information on Directors and Shareholders

The PRC Company Law gives shareholders the right to inspect the company's articles of association, minutes of the general meetings and financial and accounting reports. Under the article of association, shareholders have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors which is similar to the rights of shareholders of Hong Kong companies under the Companies Ordinance.

Receiving Agent

Under the Hong Kong law, dividends once declared by the board of directors will become debts payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years, while under the PRC law this limitation period is two years.

The Mandatory Provisions require that the relevant company shall appoint a receiving agent for shareholders who hold overseas listed foreign shares, and the receiving agent shall receive on behalf of such holders of shares dividends declared and other monies owed by the company in respect of its overseas listed foreign shares.

Corporate Reorganization

Corporate reorganization involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of voluntary winding up to another company pursuant to Section 237 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to Section 673 and Division 2 of Part 13 of the Companies Ordinance, which requires the sanction of the court. In addition, subject to the shareholders' approval, an intra-group wholly-owned subsidiary company may also be amalgamated horizontally or vertically under the Companies Ordinance.

Under PRC law, merger, division, dissolution or change to the status of a joint stock limited liability company has to be approved by shareholders in general meeting.

Special Withdrawal

Under the PRC Company Law, a joint stock limited liability company is required to make transfers equivalent to certain prescribed percentages of its after tax profit to the statutory common reserve fund. There are no corresponding provisions under Hong Kong law.

Arbitration of Disputes

In Hong Kong, disputes between shareholders and a company or its directors, managers and other senior management may be resolved through the courts. The Mandatory Provisions provides that disputes between a holder of H shares and the Company, a holder of H shares and directors, supervisors, managers and other members of senior management of the Company or a holder of H shares and a holder of domestic listed shares, arising from the Articles of Association, the PRC Company Law or other relevant laws and administrative regulations which concerns the affairs of the Company should, with certain exceptions, be referred to arbitration at either the HKIAC or the China International Economic and Trade Arbitration Commission. Such arbitration is final and conclusive.

The Securities Arbitration Rules of the HKIAC contain provisions allowing, upon application by any party, an arbitral tribunal to conduct a hearing in Shenzhen for cases involving the affairs of companies incorporated in the PRC and listed on the Hong Kong Stock Exchange so that PRC parties and witnesses may attend. Where any party applies for a hearing to take place in Shenzhen, the tribunal shall, where satisfied that such application is based on bona fide grounds, order the hearing to take place in Shenzhen conditional upon all parties, including witnesses and arbitrators, being permitted to enter Shenzhen for the purpose of the hearing. Where a party, other than a PRC party or any of its witnesses or any arbitrator, is not permitted to enter Shenzhen, then the tribunal shall order that the hearing be conducted in any practicable manner, including the use of electronic media. For the purpose of the Securities Arbitration Rules of the HKIAC, a PRC party means a party domiciled in the PRC other than the territories of Hong Kong, Macau and Taiwan.

Remedies of a Company

Under the PRC Company Law, if a director, supervisor or manager in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or manager should be responsible to the company for such damages.

The Hong Kong Listing Rules require listed companies' articles of association to provide for remedies of the company similar to those available under Hong Kong law (including rescission of the relevant contract and recovery of profits from a director, supervisor or senior management).

Dividends

The company has the power in certain circumstances to withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder.

Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of declared dividends) is six years, whereas under PRC laws, the relevant limitation period is two years. The company must not exercise its powers to forfeit any unclaimed dividend in respect of shares until after the expiry of the applicable limitation period.

Closure of Register of Shareholders

The Companies Ordinance requires that the register of shareholders of a company must not be closed for the registration of transfers of shares for more than thirty (30) days (extendable to sixty (60) days in certain circumstances) in a year.

As required by the Mandatory Provisions, share transfers shall not be registered within thirty (30) days before the date of convening a general meeting or within five (5) days before the base date of distribution of dividends.

This appendix sets out the summary of the principal provisions of the Articles of Association and their subsequent amendments which will be effective on the date of the Listing of H Shares on the Stock Exchange. The principal objective of this appendix is to provide potential investors with an overview of the Articles of Association, hence it does not contain all information that may be important to potential investors. As stated in the section "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" in Appendix VIII of the Prospectus, the full Chinese text of the Articles of Association is available for inspection.

SHARES

Shares and Registered Capital

The shares of the Company shall take the form of equity.

The Company shall have ordinary shares at all times .The Company may set other types of shares subject to needs, upon approval by authorities that are authorized by the State Counsel.

The Company shall issue shares in an open, fair and just manner, and each share of the same class shall have the equal rights. The issuing conditions and price for each share of the same class issued at the same time shall be the same and each share subscribed by any entity or individual shall be subscribed at the same price.

Upon approval by the securities regulatory authority of the State Council or other relevant regulatory authorities, the Company may offer its shares to both domestic and foreign investors. Subject to approval of the Company's plans to issue overseas-listed foreign shares and domestic shares by the securities regulatory authorities of the State Council, the Board of the Company may make arrangement to implement such plans for the issue of such shares. The Company may separately implement its plan for issuing overseas-listed foreign shares and domestic shares pursuant to the preceding provision within 15 months from the date of approval of the securities regulatory authorities of the State Council. If the Company separately issues overseas-listed foreign shares and domestic shares within the total number specified in the issue scheme, the said shares shall be issued respectively at one time. Where special circumstances make it impossible for full subscription at one time, the shares may be issued in several stages, subject to approval of the securities regulatory authority of the State Counsel.

Increase or Decrease of Share Capital

Pursuant to relevant requirements of the Articles of Association, the Company may, based on its business and development needs, approve the increase of the capital in the following manners:

(I) offer new shares to non-specified investors for subscription;

(II) issue new shares to existing shareholders;

(III) issue bonus shares to existing shareholders;

(IV) other manners permitted under laws and administrative regulations.

The increase of capital by issuing new shares shall be subject to approval as specified in the Articles of Association and follow the procedures specified by the relevant laws and administrative regulations of the PRC.

The Company may reduce its registered capital. The reduction of registered capital shall be made in accordance with the Company Law and other relevant laws, regulations and regulatory documents as well as procedures stipulated in the Articles of Association. The Company shall prepare a balance sheet and a list of property inventory for reduction of registered capital.

The Company shall notify its creditors within ten (10) days from the date of the resolution on reduction of registered capital and shall publish an announcement in a newspaper within thirty (30) days from such resolution. The creditors shall, within thirty (30) days of receiving the written notice, or within forty five (45) days of the date of the public announcement for those who have not received the written notice, be entitled to require the Company to pay its debts in full or to provide a corresponding security for repayment.

The reduced registered capital of the Company may not be less than the statutory minimum.

Repurchase of Shares

The Company may, in the following circumstances, repurchase its outstanding shares by the procedure provided for in the Articles of Association, after approval by the competent state authorities:

(I) canceling shares in order to reduce the registered capital of the Company;

(II) merging with other companies holding shares of the Company;

(III) awarding shares to employees of the Company;

(IV) shareholders objecting to resolutions of the general meeting concerning merger or division of the Company, requiring the Company to buy their shares;

(V) other circumstances permitted by laws and administrative regulations.

Where the Company repurchases its shares in accordance with the above requirements, in case (I) circumstances, the shares shall be cancelled within ten (10) days from the day of the repurchase; in case (II) or (IV) circumstances, the shares shall be transferred or cancelled within six months; and in case (III) circumstances, the maximum number of the shares repurchased shall not exceed 5% of its total issued shares and the shares purchased shall be transferred to the employees within one year.

The Company may repurchase its shares in any of the following ways with approval from the relevant competent authorities:

(I) making a general offer to repurchase shares from all shareholders in proportion to their shareholdings;

(II) repurchasing shares through open transactions in the stock exchange;

(III) repurchasing shares based on an off-market agreement;

(IV) in other circumstances permitted and approved by laws, administrative regulations, and normative documents and regulatory authorities.

When repurchasing shares based on an off-market agreement, the Company shall obtain prior approval at the general meeting. Where prior approval has been obtained from the shareholders in a shareholders' meeting in the same manner, the Company may release or modify the contract entered into in the aforesaid manner or waive any rights granted under such contract.

The aggregate par value of the shares cancelled shall be reduced from the amount of the Company's registered capital.

Share Transfer

Save as otherwise provided in laws and administrative regulations, shares of the Company may be transferred freely and shall be free of any lien.

The Company shall not accept its shares as a pledge.

Financial assistance for purchasing Shares of the Company

Neither the Company nor its subsidiaries shall at any time provide any financial assistance in any form to purchasers or prospective purchasers of shares of the Company. The said purchasers of shares of the Company shall include persons who directly or indirectly assume obligations as a result of purchasing shares of the Company.

Neither the Company nor its subsidiaries shall at any time provide any financial assistance in any form to the above obligors in order to reduce or release them from their obligations. This provision does not apply to the circumstances mentioned in the Article 32.

The above restrictions shall not apply for the following circumstances:

(I) where the Company provides the relevant financial assistance genuinely for the benefit of the Company and the main purpose of the financial assistance is not to purchase the shares of the Company, or the financial assistance is an incidental part of some overall plan of the Company;

(II) lawful distribution of the Company's property in the form of dividends;

(III) distribution of dividends in the form of shares;

(IV) reduction of registered capital, buyback of shares, adjustment of the equity structure, etc. in accordance with the Articles of Association;

(V) provision of a loan by the Company within its scope of business for ordinary business (provided that the same does not lead to a reduction in the net assets of the Company or that even if the same constitutes a reduction, the financial assistance is paid out of the Company's distributable profit);

(VI) the provision of money by the Company for an employee shareholding scheme (provided that the same does not lead to a reduction in the net assets of the Company or that even if the same constitutes a reduction, the financial assistance is paid out of the Company's distributable profit).

SHAREHOLDERS AND SHAREHOLDERS' GENERAL MEETING

Shareholders

The Company's shareholders are persons that lawfully hold shares of the Company and whose names are listed on the register of shareholders. shareholders shall enjoy rights and bear obligations according to the class and number of shares held by them. Holders of shares of the same class shall enjoy equal rights and bear equal obligations.

Holders of ordinary shares of the Company are entitled to:

(I) to collect dividends and other distributions in other forms in proportion to the number of shares held by them;

(II) to attend or appoint a proxy to attend general meetings in accordance with the laws and to exercise voting rights according to their respective shareholding;

(III) to oversee the business activities of the Company, and to make recommendations or inquiries;

(IV) to transfer or pledge shares held by them in accordance with laws, administrative regulations and Articles of Association;

(V) to obtain relevant information in accordance with the Articles of Association, which shall include:

1. obtaining a copy of the Articles of Association after paying a reasonable charge;

2. being entitled to examine and, after payment of reasonable charges, make a copy of:

(1) all parts of the register of shareholders;

(2) personal data of Directors, Supervisors, managers and other senior management of the Company, including:

(a) present and former names and aliases;

(b) principal address (residence);

(c) nationality;

(d) full-time and all other part-time occupations and positions;

(e) documents of identity and their numbers.

(3) shareholding in the Company;

(4) reports containing details of the aggregate par value, quantity, and highest and lowest prices of each class of shares repurchased by the Company since the last accounting year as well as all the expenses paid by the Company therefor;

(5) minutes of general meetings (only available for reference by shareholders); special resolutions of general meetings.

(6) the latest audited financial statements, reports of the Board, auditor's report and the Supervisory Committee's report of the Company;

(7) a copy of the latest annual return filed with the State Administration for Industry and Commerce or other competent authorities of the PRC;

(8) stubs of corporate bonds, resolutions of Board meetings, resolutions of the Supervisory Committee meetings, and financial reports;

Save for item (2), the Company shall make available documents referred in items (1) to (7) at its address in Hong Kong for inspection by the public and the shareholders free of charge pursuant to the requirements of the Hong Kong Listing Rules.

(VI) shareholders having objection to resolutions of the general meeting concerning merger or division of the Company may require the Company to buy the shares held by them;

(VII) in the event of the termination and liquidation of the Company, the right to participate in the distribution of remaining assets of the Company in accordance with the number of shares held;

(VIII) other rights conferred by laws, administrative regulations, relevant requirements from the regulatory authority and stock exchange on which shares of the Company are listed and the Articles of Association.

No powers shall be taken to freeze or otherwise impair any of the rights attaching to any share by reason only that the person or persons who are interested directly or indirectly therein have failed to disclose their interests to the Company.

Rights of legal person shareholders of the Company are exercised by their legal representatives or agents on their behalf.

Any resolution of the general meeting or the Board that is in violation of laws or administrative regulations will be void. If the procedure of convening or the method of voting at a general meeting or a Board meeting violates the laws, administrative regulations or the Articles of Association, or if the content of a resolution is in breach of the Articles of Association, shareholders shall have the right to petition the People's Court to revoke such resolution within sixty (60) days from the date on which the resolution is adopted.

In the event of any loss caused to the Company as a result of violation of laws, administrative regulations or the Articles of Association by the Directors or senior management when performing their duties, any of the shareholders who holds 1% or more of the shares individually or jointly for no less than one hundred and eighty (180) consecutive days shall have the right to request the Supervisory Committee in writing to initiate litigation before the People's Court. In the event of any loss caused to the Company as a result of violation of laws, administrative regulations or the Articles of Association by the Supervisory Committee when performing its duties, any of the shareholders may request the Board in writing to initiate litigation before the People's Court. In the event that the Supervisory Committee or the Board dismisses the written request of any of the shareholders as specified in the preceding provision, or withholds from instituting litigation within thirty (30) days of the receipt of the request, or that the failure to institute litigation immediately may otherwise cause irreparable damage to the interest of the Company in an urgent circumstance, such shareholder(s) as mentioned in the preceding paragraph shall have the right to initiate litigation before the People's Court in the name(s) of such shareholder(s) in the interest of the Company.

In the event that any Director or senior management violates laws, administrative regulations or the Articles of Association to the detriment of the interest of the shareholders, the shareholders may initiate litigation before the People's Court.

The holders of ordinary shares of the Company shall be subject to the following obligations:

(I) to comply with the laws, administrative regulations and the Articles of Association;

(II) to make capital contribution with respect to the shares subscribed for and the method of subscription;

(III) to be liable to the Company to the extent of the shares they subscribed;

(IV) save as stipulated by laws or regulations, no share refund is allowed after registration with the Company;

(V) to safeguard the Company's legitimate rights and interests, to support the Company's operation and management; not to jeopardize the Company's development; not to participate in any business which directly competes with the Company's business;

(VI) not to abuse their rights as shareholders to jeopardize the Company's or other shareholder's rights; not to abuse of the Company's status as an independent legal person or any abuse of the limited liability of a shareholder to jeopardize the interests of the Company's creditors;

(VII) other obligations imposed by laws, administrative regulations and the Articles of Association.

Unless otherwise specified, shareholders are not liable for making any further contribution to the share capital other than as agreed by the subscribers of the relevant shares on subscription.

In the event of any damage caused to the Company or other shareholders arising from any abuse of the shareholder's right, such shareholder shall be liable for compensation in accordance with laws. In the event of any material damage caused to the interest of the creditors of the Company arising from any abuse of the Company's independent legal person status and the limited liability of the shareholders by any shareholder to evade from debts, such shareholder shall be jointly and severally liable for the Company's debts.

General Rules of Shareholders' General Meeting

The Shareholder's general meeting is the organ of authority of the Company and shall exercise the following functions:

(I) to determine the operating policies and investment plans of the Company;

(II) to elect or remove non-employee representatives Directors, and to determine the remuneration of such Directors;

(III) to elect or remove non-employee representatives Supervisors, and to determine the remuneration of such Supervisors;

(IV) to consider and approve reports of the Board;

(V) to consider and approve reports of the Supervisory Committee;

(VI) to consider and approve the proposed annual financial budgets and final accounts of the Company;

(VII) to consider and approve the profit distribution plans and loss recovery plans of the Company;

(VIII) to decide on any increase or reduction of registered capital of the Company;

(IX) to decide on the issue of corporate bonds;

(X) to decide on matters such as merger, division, dissolution, liquidation or change of corporate form of the Company;

(XI) to amend the Articles of Association;

(XII) to determine the appointment or dismissal of accounting firms which are responsible for auditing matters of the Company;

(XIII) to consider proposals from shareholders representing 3% or more of voting rights in the Company;

(XIV) to consider and approve external guarantees required to be resolved at a general meeting pursuant to laws, administrative regulations and the Articles of Association;

(XV) to consider the purchase or sale of material assets of the Company within one year, or the amount of guarantee exceeding 30% of the most recently audited total assets;

(XVI) to consider the amount of each investment of the company exceeding 3% of the most recently audited total assets.

(XVII) to consider stock incentive plan;

(XVIII) to consider and approve connected transactions required to be resolved at a general meeting pursuant to laws, administrative regulations, listing rules of the stock exchange of the place in which the shares of the Company are listed and the Articles of Association;

(XIX) to consider and approve other matters required to be resolved at a general meeting pursuant to laws, administrative regulations, listing rules of the stock exchange of the place in which the shares of the Company are listed and the Articles of Association;

Without prior approval from a general meeting, the Company shall not enter into a contract with a person other than a Director, Supervisor, general manager or other senior management members whereby the management of all or a material part of the business of the Company is delegated to such person.

General meetings shall include annual general meetings and extraordinary general meetings. Annual meetings shall be convened once a year and shall be held within six months from the end of the preceding financial year.

The Board shall convene an extraordinary general meeting within two months upon the occurrence of any of the following circumstances:

(I) when the number of Directors is less than the number as stipulated in the Company Law or less than two-thirds of the number prescribed in the Articles of Association;

(II) when the uncovered loss of the Company that have not been made up reach one-third of the total share capital;

(III) when shareholders who individually or collectively hold more than 10% of total number of the Company's shares entitled to vote make a written request to convene an extraordinary general meeting;

(IV) whenever the Board considers necessary or Supervisory Committee proposes to convene a general meeting;

(V) such other circumstances as specified by laws, administrative regulations or the Articles of Association.

Convening of General Meeting

A general meeting shall be convened by the Board and shall be presided over by the Chairman in accordance with the Company Law and the Articles of Association. If the Chairman is unable or fails to perform his duties, such meeting shall be presided over by a Director jointly recommended by the majority of the Directors.

If the Board is unable or fails to fulfill the obligation of convening a general meeting, the Supervisory Committee shall convene and preside over such meeting. If the Supervisory Committee does not convene or preside over such meeting, the shareholders individually or jointly holding no less than 10% of shares of the Company for no less than ninety (90) consecutive days may convene and preside over such meeting on their own.

Shareholders who request an extraordinary general meeting or a general meeting of a class of shareholders shall comply with the following procedures:

(I) two or more shareholders who together hold 10% or more of the shares carrying the right to vote in the meeting can request the board of Directors to convene an extraordinary general meeting or a class meeting by signing one or several copies of written request(s) in the same form and content, and stating the motions and resolutions proposed. The Board shall convene the extraordinary general meeting or the class meeting as specified in the request as soon as possible. The shareholdings referred to above shall be calculated as at the date of request made.

(II) If no notice of convening a general meeting was issued within thirty (30) days after the Board receiving the abovementioned written request(s), the shareholders making the request(s) can convene a meeting by themselves within four (4) months after the Board receiving the abovementioned written request(s), and the procedures for convening such meeting shall follow the procedures of the general meeting convened by the Board as much as possible.

All reasonable expenses incurred for such meeting convened by the shareholders as a result of the failure of the Board to convene a meeting as required by the above request(s) shall be borne by the Company and be set off against sums owed by the Company to the defaulting Directors.

Proposals at General Meeting

As a general meeting is convened, the Board, the Supervisory Committee and any shareholders individually or jointly holding 3% or more of the Company's shares with voting rights in aggregate may propose any written resolution to the Company.

Such shareholders who hold 3% or more of the Company's shares with voting rights in aggregate may submit an interim proposal in writing to the convener at least fifteen (15) business days prior to the general meeting date. The convener shall then send a supplemental notice to the shareholders to announce the interim proposal, within three (3) business days upon receipt of such proposal.

Other than the above circumstances, the convener shall not make any change in the notice of the general meeting to the existing proposals or add any new proposal after the publication of the notice.

The Company shall, based on the written replies received twenty (20) days before the general meeting date, calculate the number of voting shares represented by the shareholders who intend to attend the meeting. If the number of voting shares represented by the shareholders who intend to attend the meeting amounts to not less than half of the Company's total voting shares, the Company may hold the general meeting; if not, the Company shall within five (5) days notify the shareholders by way of public announcement of matters to be considered at and the place and date of the meeting.

No extraordinary meeting shall resolve matters not stipulated on its notice.

Resolutions at General Meeting

Resolutions of a general meeting are classified into ordinary resolutions and special resolutions. Ordinary resolutions of a general meeting shall be passed by shareholders in attendance (including proxies) holding at least half of the voting rights. Special resolutions of a general meeting shall be passed by shareholders in attendance (including proxies) holding at least two-thirds of the voting rights.

The following matters shall be passed as ordinary resolutions in a general meeting:

(I) Save as otherwise provided in laws, administrative regulations and the Articles of Association, the following matters shall be passed as ordinary resolutions in a general meeting:

(1) work reports of the Board and the Supervisory Committee;

(2) profit distribution plans and plans for making up losses drafted by the Board;

(3) appointment, dismissal and remuneration of the members of the Board and the Supervisory Committee and methods of payment of their remuneration;

(4) annual financial budgets and final accounts, balance sheets, income statements and other financial statements of the Company;

(5) matters other than those required to be passed as special resolutions pursuant to laws, administrative regulations and the Articles of Association;

(II) The following matters shall be passed as special resolutions in a general meeting:

(1) increase or reduction in share capital of the Company and issuance of shares of any class, warrants and other similar securities;

(2) amendments to the Articles of Association;

(3) issuance of bonds by the Company;

(4) merger, division, dissolution, liquidation or change of corporate form of the Company;

(5) any purchase, sale of material assets or guarantee by the Company within one year with an amount exceeding 30% of the Company's total assets, save for requirement from the Company's daily operation and provision of guarantees for the Company and its wholly-owned subsidiaries;

(6) other matters specified by laws, regulations or the Articles of Association and matters specified by ordinary resolutions of general meeting that are considered to be significant to the Company and shall be passed as special resolutions in a general meeting.

When a connected transaction is considered at a general meeting, the connected shareholders shall abstain from voting. The voting shares held by connected shareholders shall not be counted in the total number of shares with voting rights. The resolutions of the general meeting shall fully disclose the voting of the shareholders who are not connected parties.

SPECIAL PROCEDURES FOR VOTING BY CLASS SHAREHOLDERS

Shareholders of different classes of shares are class shareholders. Class shareholders shall enjoy rights and assume obligations in accordance with laws, administrative regulations and provisions of the Articles of Association.

If the Company proposes to change or nullify the rights of a certain class of shareholders, such proposal shall be passed by a special resolution at a general meeting and be passed at the meeting convened according to the requirements of the Articles of Association for the affected class of shareholders.

The rights of a certain class of shareholders shall be deemed to have been changed or nullified in the following circumstances:

(I) to increase or decrease the number of shares of that class, or to increase or decrease the number of shares of other class which enjoy the same or more voting rights, distribution rights or other privileges;

(II) to convert part or whole of the shares of that class into another class, convert part or whole of the shares of another class into that class, or grant such conversion rights;

(III) to nullify or reduce the rights of that class of shares to receive payable dividends or cumulative dividends;

(IV) to reduce or nullify the privileged rights of that class of shares to acquire dividends or to obtain distribution of assets during liquidation of the Company;

(V) to increase, nullify or reduce the conversion, option, voting, transfer or privileged allotment rights of that class of shares or the rights of such class of shares to obtain securities issued by the Company;

(VI) to nullify or reduce the rights of that class of shares to receive amounts payable by the Company in a particular currency;

(VII) to create a new class of shares which enjoys the same or more voting rights, distribution rights or other privileges as compared with that class of shares;

(VIII) to restrict the transfer and ownership of that class of shares, or increase the restrictions;

(IX) to grant the share subscription options or share conversion options of or another class of shares;

(X) to increase the rights or privileges of another class of shares;

(XI) any restructuring scheme of the Company that may result in the assumption of disproportionate responsibilities by different classes of shareholders during the restructuring;

(XII) to revise or nullify the provisions in the Article of Association.

Shareholders of the affected class, whether or not otherwise having the right to vote at general meetings, shall nevertheless have the right to vote at shareholders' class meetings in respect of matters referred to in items (II) to (VIII) and (XI) to (XII) of Article 88 in this Articles, but interested shareholders shall not be entitled to vote at such shareholders' class meetings.

A resolution of the meeting for a certain class of shareholders shall be adopted by above two-thirds of the voting shares represented by shareholders of that class present at the meeting in accordance with Article 89 in the Articles of Association.

The special voting procedures for class shareholders shall not apply to the following circumstances:

(I) the Company independently, upon the approval by way of special resolution by general meeting, issues domestic shares and/or overseas listed foreign shares every twelve months, provided that the amount of each of the domestic shares and overseas listed foreign shares intended to be issued is not more than 20% of the issued and outstanding shares of the respective class;

(II) the Company's plan on issuing domestic shares and overseas listed foreign shares at time of its incorporation, which is completed within fifteen (15) months upon the date of approval from the securities regulatory authorities of the State Council.

DIRECTORS AND BOARD

Directors

Directors shall be elected or appointed by general meeting, for a term of three years. A director may be re-elected and reappointed upon expiry of his or her term of office.

A Director is not required to hold any Share of the Company.

The term of office of a Director shall commence from the date on which he/she takes his position to the expiration of the session of the Board of directors he/she serves. Where re-election is not carried out promptly after a director's term of office expires, the existing director shall continue to perform the duties owed by a director subject to the laws, administrative regulations, departmental rules and the Article of Association before a new director is elected to take up the office.

The Company shall have independent non-executive Directors. Independent non-executive Directors refer to the Directors who hold no position in the Company other than the position of independent non-executive Director and have no relationship with the Company and its major shareholder(s) that may prevent them from making objective and independent judgment. At least one-third of members of the Board of the Company shall be independent non-executive Directors (hereinafter referred to as "Independent Director(s)"), and the total numbers shall not fewer than three, including at least one member must has appropriate accounting or relevant financial management expertise (refers to person with senior title or qualification of certified public accountant), and satisfies the requirements with Rule 3.10(2) of the Hong Kong Listing Rules.

Board

The Board of the Company shall be composed of six to thirteen Directors. At least one-third of members of the Board of the Company shall be independent Directors, and the total numbers shall not fewer than three. The Board shall have one chairman.

The Board shall be accountable to the general meeting and perform the following duties and powers:

(I) to convene the general meeting and to propose the general meeting to approve relevant matters as well as report its performance at the general meetings;

(II) to implement resolutions adopted at the general meetings;

(III) to make decisions on the Company's business plans and investment plans;

(IV) to formulate the Company's annual financial budgets and annual final accounting plans;

(V) to formulate the Company's profit distribution plans and loss recovery plans;

(VI) to formulate the proposals on the increase or reduction of the Company's registered capital, the proposals on the issuance of corporate bonds and securities listing plans;

(VII) to formulate the plans for merger, division, dissolution or other changes in corporate form of the Company;

(VIII) to determine the establishment of internal management departments and the establishment of branches;

(IX) to appoint or dismiss the general manager and determine the remunerations; and to appoint or dismiss the deputy general manager and the responsible financial officer as nominated by the general manager and to determine their remunerations and rewards and punishments;

(X) to formulate the basic management system of the Company;

(XI) to formulate the proposals for any amendment to the Articles of Association;

(XII) to propose the engagement or replacing of accounting firm which undertakes the audit business of the Company to the general meeting;

(XIII) to determine the external guarantee matter of the Company other than those to be considered by the general meeting;

(XIV) to determine the purchase or sale of major assets of the Company within a year, or the amount of guarantee, which does not exceed 30% of the most recently audited total assets;

(XV) to determine the amount of each investment of the Company which exceeds 0.03% but does not exceed 3% of the most recently audited total assets (or the amount of the investment does not exceed 0.03% of the total assets of the Company, or may have a significant impact on the Company);

(XVI) to approve the connected transaction shall be approved by the Board in accordance with the requirements of the laws, administrative regulations, the listing rules of the stock exchange where the Shares of the Company are listed and the Articles of Association;

(XVII) duties and powers granted by the Articles of Association and the general meeting;

(XVIII) other matters required in the laws, administrative regulations, departmental rules and the listing rules of the stock exchange where the Shares of the Company are listed.

Resolutions by the Board on the matters referred to in the preceding paragraph shall, be passed by the affirmative vote of more than one half of all of the Directors with the exception of resolutions on the matters referred to in items(VI), (VII) and(XI), which shall require the affirmative vote of at least two-thirds of all of the Directors for adoption.

The chairman of the Board shall perform the following duties and powers:

(I) to preside over the general meetings, and to convene and preside over Board meetings;

(II) to inspect the implementation of the resolutions of the Board;

(III) to sign the securities issued by the Company;

(IV) to sign the legally binding document and important documents with external parties;

(V) other duties and powers granted by the Board.

If the chairman of the Board is unable or fails to perform his or her duties and powers, a director elected jointly by half or more of the directors shall perform the chairman's duties and powers on his or her behalf.

The Board meetings are divided into regular Board meetings and extraordinary Board meetings.

Regular Board meetings shall be convened at least four times a year, and it shall be convened by the chairman. Notices of regular Board meetings shall be sent to all directors fourteen (14) days prior to the convening date of the relevant meeting. The regular Board meetings shall be not convened by circulation of a written resolution.

The chairman of the Board shall convene and preside over an extraordinary Board meeting within ten (10) days from the date of receipt of one of the following requests:

(I) when proposed by shareholders representing more than one tenth of the total number of shares carrying voting rights of the Company;

(II) joint request of one-third or more of the Directors;

(III) request of the Supervisory Committee;

(IV) request of the general manager.

Notice of a regular Board meeting should be at least fourteen (14) days. When an extraordinary Board meeting is required to be convened promptly in emergency situations, the meeting notice can be given via phone or other verbal means but the convener shall make explanations at the meeting.

A Board meeting shall not be convened unless more than half of the Directors (including Directors appointed to attend on his or her behalf) are present. Each Director shall have one vote at the Board meeting. Unless otherwise required by the laws, administrative regulations and the Articles of Association, resolutions of the Board shall be passed by a majority vote of all directors.

When the number of dissenting votes is equal to affirmative votes, the Chairman may cast another vote. When the Board is considering the relevant connected transaction, connected Directors shall not participate in the voting and shall not vote on behalf of other Directors as proxy, and their votes with voting right shall not be counted in the total votes. The Board meeting can be convened with the attendance of over half of the non-connected directors. The resolution of Board meeting shall be passed by a simple majority of non-connected directors, and it shall fully disclose the voting of non-connected Directors. If less than three non-connected directors attend the Board meeting, the matters shall be submitted for the consideration of the general meeting.

Directors shall attend the meeting of the board of directors in person. If for any reason the directors are unable to attend, they may authorize other directors in written to attend the Board meeting on their behalf, but the scope of authorization shall be stated in the power of attorney. The representatives of the directors attending the meeting shall exercise their authorities within the scope as authorised. Any director absents from the meeting of the Board who fails to appoint a representative is deemed to have waived their voting rights at such meeting.

The Board shall maintain minutes to record its decisions on the matters it has considered. Directors present at the meeting and the minute-taker shall sign on the minutes. A director who has expressly objected to a resolution is entitled to request his/her objection to the resolution to be recorded in minutes of the meeting.

Secretary to the Board

The Company shall have a Secretary to the Board and shall be accountable to the Board. The Secretary to the Board shall be a senior management officer of the Company.

The office of the Secretary to the Board shall be held by a natural person with necessary professional knowledge and experience, who shall be appointed by the Board.

The primary duties of the Secretary to the Board are:

(I) to keep the Company's organizational documents and records intact;

(II) to ensure that the Company timely prepares and submits the reports and documents required by the regulatory departments;

(III) to prepare the Board meeting and the general meeting, and is responsible for the recording in meeting and keeping of documents and record of meeting;

(IV) to ensure the proper maintenance of the Company's register of members, and to ensure the persons who are entitled to obtain the relevant records and documents of the Company are able to obtain the same on a timely basis;

(V) to deal with the information disclosure;

(VI) other responsibilities required by the applicable laws, regulations, rules, listing rules of the stock exchange and other regulations and the Articles of Association.

A director or other senior management officer of the Company may concurrently serve as the secretary to the Board. No accountant of the accounting firm engaged by the Company shall concurrently serve as the secretary to the Board.

Where a director concurrently serves as the secretary to the Board and a certain matter is required to be done by Directors and the secretary to the Board respectively, he/she shall not do the act in his/her double capacities.

SUPERVISORS AND SUPERVISORY COMMITTEE

Supervisors

The members of the Supervisory Board shall be composed of four shareholder representative Supervisors and two employee representative Supervisors. The shareholder representative Supervisors shall be elected or dismissed by the general meeting. Employee representative Supervisors shall be elected or dismissed at the employee representative meeting, employee meeting or other forms of the Company. The number of employee representative Supervisors shall not less than one-third of the total number of Supervisors.

The Directors, general manager and other senior management shall not be supervisors concurrently.

Supervisory Committee

Supervisory Committee shall be composed of six persons. Supervisory Committee shall have one chairman, which shall be elected or dismissed by two-thirds or more of the Supervisors. The chairman of Supervisory Committee convenes and presides over meeting of Supervisory Committee; when the chairman of the Supervisory Committee is unable or fails to perform his or her duties, a supervisor appointed by half or more of all supervisors shall convene and preside over the meetings of the Supervisory Committee.

The Supervisory Committee shall be accountable to the general meeting and perform the following duties and powers:

(I) to monitor whether the Directors, general manager and other senior management act in contravention to the laws, administrative regulations and the Articles of Association, and to propose suggestion of dismissal to the Directors and senior management who violates laws, administrative regulations, the Articles of Association and the resolutions of the general meeting;

(II) to demand rectification from the Directors, general manager and other senior management when their acts are detrimental to the interests of the Company, and to report to the general meeting or the relevant competent authorities of the State when necessary;

(III) to check the financial condition of the Company;

(IV) to propose to convene the extraordinary general meeting, and to convene and preside over the general meeting when the Board fails to perform its responsibilities under the requirements of the Articles of Association to convene and preside over the general meeting;

(V) to check financial reports, operation reports and profit distribution proposals submitted by the Board to the shareholders' general meeting, and to engage, on behalf of the Company, certified accountants and auditors to review such reports if any problems are identified;

(VI) to propose proposals to the general meeting;

(VII) to propose to convene the extraordinary Board meeting;

(VIII) to bring a lawsuit against Directors and senior management in accordance with the requirements of the Company Law;

(IX) to perform other duties as required by the laws, administrative regulations and the Articles of Association.

Supervisors have the right to attend the Board meetings as non-voting observers and make inquiries or suggestions on matters to be resolved by the Board.

Supervisor Committee meetings shall be convened at least once every six months, and it shall be convened by the chairman of Supervisor Committee. Supervisor Committee can suggest to convene the extraordinary Supervisor Committee meetings. The regular Supervisor Committee meetings shall not be convened by circulation of a written resolution.

Notices of the regular Supervisor Committee meetings and extraordinary Supervisor Committee meetings may be given by phone, in person, by facsimile, by courier or by registered airmail; notice period of meeting: at least ten (10) days prior to the convening of the Supervisor Committee meeting. When an extraordinary Supervisor Committee meeting is required to be convened promptly in emergency situations, the meeting notice can be given via phone or other verbal means but the convener shall make explanations at the meeting.

Resolutions of Supervisor Committee

Each supervisor shall have one vote. The resolution made by the Supervisor Committee shall be passed by two-thirds or more of the members of the Supervisors.

GENERAL MANAGER AND OTHER SENIOR MANAGEMENT

The Company shall have one general manager, several deputy general managers, one responsible financial officer and one secretary to the Board, all of whom are appointed or dismisses by the Board.

The general manager shall be accountable to the Board and perform the following duties and powers:

(I) to lead the management of production and operation, and to organize and implement the resolutions of the Board;

(II) to organize and implement the annual operation plan and investment proposal of the Company;

(III) to propose the establishment proposal of the internal management departments;

(IV) to formulate the basic management system of the Company;

(V) to formulate the basic rules of the Company;

(VI) to propose the Board to appoint or dismiss deputy general manager, responsible financial officer of the Company;

(VII) to appoint or dismiss the management other than appointment or dismissal by the Board;

(VIII) other duties and powers granted by the Articles of Association and the general meeting;

General manager has the right to attend the Board meetings as non-voting observers and the general manager who is not a Director has no voting right.

Qualifications and Duties of the Directors, Supervisors and other Senior Management of the Company

In the conditions as set out below, the following persons shall not serve as Directors, Supervisors, general manager or other senior management of the Company:

(I) persons without civil capacity or with limited civil capacity;

(II) persons who have committed corruption, bribery, embezzlement, misappropriation of property or disruption of the order of socialist market economy and have been sentenced to criminal punishment, where less than five years have elapsed since the date of completion of the sentence, or who have been deprived of their political rights due to the commission of a criminal offense, where less than five years have elapsed since the date of restoring their political rights;

(III) persons who were former directors, factory managers or managers of a company or enterprise which was declared bankrupt and was liquidated and who were personally liable for the bankruptcy of such company or enterprise, where less than three years have elapsed since the date of completion of the bankruptcy and liquidation of the company or enterprise;

(IV) persons who were legal representatives of a company or enterprise which had its business license revoked and had been ordered to shut down due to violation of the laws and who were personally liable, where less than three years have elapsed since the date of the revocation;

(V) persons who have a substantial amount of debts due and outstanding;

(VI) persons who were investigated by judicial offices and the lawsuit is not settled yet;

(VII) persons who cannot serve as corporate leaders according to laws and administrative regulations;

(VIII) non-natural person;

(IX) persons who have been convicted by the competent authority for violation of securities regulations and acting fraudulently or dishonestly, where less than five years have elapsed since the date of conviction;

(X) circumstances as required by the relevant laws and regulations of a place where the Company's securities are listed.

The validity of the conduct of Directors, general manager or other senior management who act in good faith on behalf of the Company with respect to third parties shall not be affected by any irregularity in their appointment, election or qualification.

Besides the obligations as stipulated in the laws, administrative regulations or the listing rules of the stock exchanges where the stocks of the Company are listed, the Directors, Supervisors, general manager and other senior management of the Company shall perform the following obligations on each shareholder when exercising the powers conferred on them by the Company:

(I) not to allow the Company to operate beyond the scope stated in the business license;

(II) to act, *bona fide*, in the best interests of the Company;

(III) not to deprive in any way the properties of the Company, including but not limited to opportunities advantageous to the Company;

(IV) not to deprive the personal interests of shareholders, including but not limited to the right to distributions and the right to vote; however, company restructuring proposed to the general meeting for approval in accordance with the Articles of Association is excluded.

The directors, supervisors, general manager and other senior management of the Company shall perform their duties in accordance with the principle of honesty and shall not put themselves in a position where their duties and their interests may conflict. These principles include but not limited to the following:

(I) to act, *bona fide*, in the best interests of the Company;

(II) to exercise powers within the scope of their powers;

(III) to exercise their discretion vested in them and not to allow themselves to act under the control of another and, unless and to the extent permitted by the laws, administrative regulations or with the consent of shareholders' general meeting, not to delegate others to exercise their discretion;

(IV) to treat shareholders of the same class equally and to treat shareholders of different classes fairly;

(V) not to enter into any contract, transaction or arrangement with the Company unless otherwise provided by the Articles of Association or with the consent of shareholders' general meeting;

(VI) not to use the Company's property for their own benefit without the consent of shareholders' general meeting;

(VII) not to exploit their positions to accept bribes or other illegal income or expropriate the property of the Company by any means, including but not limited to opportunities advantageous to the Company;

(VIII) not to accept commissions in connection with the transactions of the Company without the consent of shareholders' general meeting;

(IX) to abide by the Articles of Association, perform their official duties faithfully and protect the interests of the Company, and not to exploit their positions and powers in the Company for their own interests;

(X) not to compete with the Company in any way unless with the consent of shareholders' general meeting;

(XI) not to misappropriate the Company's funds, not to open accounts in their own names or other names for the deposit of the assets or funds of the Company; not to violate the provisions of the Articles of Association by lending the Company's funds to others or providing guarantees to a shareholder of the Company or other individual(s) with the assets of the Company, without consent by a general meeting or of the Board;

(XII) unless otherwise permitted by shareholders' general meeting, to keep confidential the information acquired by them in the course of and during their tenure and not to use the information other than in furtherance of the interests of the Company, save that disclosure of such information to the court or other government authorities is permitted if the disclosure is:

(i) by order of the laws;

(ii) in the interests of the public;

(iii) in the interest of the relevant Director, Supervisor, general manager or other senior management.

Proceeds from violating this Article of the persons mentioned in this Article shall belong to the Company; losses caused to the Company by such persons shall be indemnified by the same.

Directors, Supervisors, general manager or other senior management of the Company shall not direct the following persons or bodies (hereinafter referred to as the "Relevant Person") to do anything to which the Directors, Supervisors, general manager or other senior management are not permitted:

(I) the spouse or minor children of the Directors, Supervisors, general manager or other senior management of the Company;

(II) the trustee of the Directors, Supervisors, general manager or other senior management of the Company or of the persons stated in (I) of this Article;

(III) the partners of the Directors, Supervisors, general manager or other senior management of the Company or of the persons stated in (I) and (II) of this Article;

(IV) the company(ies) solely controlled in fact by the Directors, Supervisors, general manager and other senior management or the company(ies) jointly controlled in fact by the persons mentioned in (I), (II) and (III) of this Article or other Directors, Supervisors, general manager and other senior management of the Company; and

(V) the directors, supervisors, general manager and other senior management of the company(ies) so controlled as referred to in (IV) of this Article.

FINANCIAL AND ACCOUNTING SYSTEM AND PROFIT DISTRIBUTION

Financial and Accounting Systems

The Company shall establish its financial and accounting systems in accordance with the laws, administrative regulations and the requirements of the PRC accounting standards established by the competent financial authorities of the State Council.

In addition to the PRC accounting standards and regulations, the financial statements of the Company shall also be prepared in accordance with the international accounting standards or the accounting standards of the place outside the PRC where the shares of the Company are listed. Any material discrepancy between the financial statements prepared in accordance with two different accounting standards shall be explained in the notes to the financial statements. Distribution of profits after tax of the relevant financial year shall be based on the lower of the profits after tax shown in the two financial statements mentioned above.

Interim results or financial information published or disclosed by the Company shall be prepared in accordance with the PRC accounting standards and regulations as well as international accounting standards or the accounting standards of the place outside the PRC where shares of the Company are listed.

The Company shall publish two financial reports each accounting year, i.e. an interim financial report to be published within sixty (60) days after the end of the first six months of the accounting year and the annual financial report to be published within one hundred and twenty (120) days after the end of the accounting year.

The Company shall not keep accounts other than those required by laws. The assets of the Company shall not be kept under the name of any individual.

Profit Distribution

During the distribution of its after-tax profit for the current year, the Company shall withdraw 10% after-tax profit as statutory common reserve fund, and the Company may not withdraw statutory common reserve fund if the cumulative amount has exceeded 50% of the Company's registered capital.

Where the statutory common reserve fund of the Company is not sufficient to recover its losses in the previous years, the profits of the current year shall be used to make up the loss before the withdrawing of the statutory common reserve fund in accordance with the above provisions.

After the withdrawing the statutory common reserve fund from the after-tax profit by the Company, the discretionary reserve may be withdrawn from the after-tax profit with the approval from the general meeting.

The profit after makeup of the loss and withdrawing of the reserves shall be available for distribution by the shareholders and shall be distributed by the Company based on the shareholding proportions of the shareholders pursuant to a resolution of the Company's general meeting.

If the general meeting distributes profits to shareholders before the Company recovers losses and withdraws statutory common reserve fund, in violation of relevant provisions, shareholders must return to our Company the profits so distributed.

The shares of our Company held by our Company shall not be subject to profit distribution.

Capital reserve fund includes the following items:

(I) premium proceeds from the shares issued over their par value;

(II) any other income required to be included in the capital reserve fund by the competent finance department of the State Council.

The common reserve funds of the Company shall be applied for making up for losses, expanding the Company's production and operation or capitalization. However, the capital reserve fund shall not be applied for making up losses of the Company.

The statutory reserve fund after capitalization shall not be less than 25% of the registered capital of the Company before the capitalization.

The Company make dividends distributions in the form of cash or shares.

The Company shall appoint receiving agents on behalf of the holders of overseas-listed foreign invested shares to receive, on behalf of the relevant shareholders, the dividends declared and other receivables, and to keep such payment on behalf of the shareholders for giving to them.

The collection agents appointed by our Company shall meet the requirements in local laws or in relevant stock exchange regulations in the place of listing.

The receiving agents appointed for holders of overseas-listed foreign-invested shares listed in the Hong Kong shall be a company registered as a trust company under the Trustee Ordinance of Hong Kong.

Accounting Firm

The Company shall appoint an independent accounting firm that is qualified under the relevant national regulations to audit the Company's annual financial reports and to review other financial reports of the Company.

The accounting firm appointed by the Company shall hold office commencing from the end of the annual general meeting of the Company and expiring upon the end of the next annual general meeting.

The accounting firm appointed by the Company to perform an annual audit shall have the following rights:

(I) to review the financial statements, records and vouchers of the Company, and to require the Directors, general manager or other senior management of the Company to supply relevant information and explanations;

(II) to require the Company to take all reasonable measures to obtain from its subsidiaries such information and explanations as are necessary for the discharge of the duties of accounting firm;

(III) to attend shareholders' general meetings and to receive all notices of meetings or other information to which any shareholders are entitled, and to speak at any shareholders' general meeting in relation to matters concerning its role as the accounting firm of the Company.

Notwithstanding the terms set out in the contract between the Company and the accounting firm, Shareholders at a shareholders' general meeting may, by way of ordinary resolution, remove the accounting firm before the expiration of its term of office, but without prejudice to the right of the firm to claim for damages in respect of such removal.

The remuneration of the accounting firm or the way in which the firm is to be remunerated shall be determined by the shareholders' general meeting. The remuneration of the accounting firm appointed by the Board shall be determined by the Board.

Prior notice shall be given to the accounting firm if the shareholders' general meeting decides to remove or not to renew the appointment. The accounting firm shall be entitled to make representations at the relevant shareholders' general meeting. If an accounting firm resigns from its position, it shall make representations to the shareholders' general meeting whether there has been any impropriety on the part of the Company.

An accounting firm may resign its office by depositing a written resignation notice at the legal address of the Company. Resignation of the accounting firm shall become effective on the date of such deposit or on such later date stipulated in such notice. Such notice shall contain the following statements:

(I) a statement to the effect that there are no circumstances in connection with its resignation which it considers should be brought to the notice of the shareholders or creditors of the Company; or

(II) a statement of any other circumstances requiring an explanation.

Where the above notice is deposited, the Company shall within 14 days send a copy of the notice to the relevant governing authority. If the notice contains a statement under Clause (2) aforesaid, a copy of such statement shall be placed at the Company for shareholders' inspection. The Company shall also send a copy of such statement by prepaid mail to every holder of overseas listed foreign shares at the address registered in the register of shareholders.

If the notice of resignation of an accounting firm contains a statement in respect of any circumstances requiring an explanation, it may require the Board to convene an extraordinary general meeting for the purpose of receiving an explanation of the circumstances in connection with its resignation.

DISSOLUTION AND LIQUIDATION OF THE COMPANY

The Company shall be dissolved and liquidated according to the laws upon the occurrence of the following events:

(I) the term of business operation expires;

(II) the general meeting has resolved to dissolve the Company by a special resolution;

(III) merger or division of the Company entails dissolution;

(IV) the Company is legally declared insolvent due to its failure to repay due debts;

(V) the business license is revoked or it is ordered to close down or be dissolved in accordance with the law;

(VI) when serious difficulties occur to our Company's operation and management and significant losses will be incurred to the shareholders by its continuance, and such difficulties cannot be solved by other means, the shareholders holding more than 10% of the total voting rights of all the shareholders may request the people's court to dissolve our Company.

If the Company is dissolved pursuant to (I), (II), (V) and (VI) above, it shall establish a liquidation committee, within 15 days after the dissolution circumstance arises, which members shall be determined by way of an ordinary resolution of the general meeting. If the liquidation committee is not duly set up, the creditors may request the people's court to designate related persons to form a liquidation committee to carry out liquidation.

If the Company is dissolved pursuant to (IV) above, the People's Court shall order a liquidation committee which is established by the shareholders, relevant bodies and professionals pursuant to the requirements of the relevant laws to perform the liquidation.

If the Company is dissolved pursuant to (V) above, the relevant competent authorities shall order a liquidation committee which is established by the shareholders, relevant bodies and professionals to perform the liquidation.

If the Board decides to perform the liquidation, other than a liquidation due to the Company's declaration of bankruptcy, it shall state in the notice for convening the general meeting in this regard that a thorough inspection in respect of the Company's status has been made and that all the Company's debts can be settled by it within twelve months upon commencement of the liquidation.

The Board and general manager shall lose their powers immediately after the resolution for liquidation is passed at the Shareholders' meeting. During the liquidation, the Company shall be forbidden to carry out any new operating activities.

In compliance with the instructions of the general meeting, the liquidation committee shall report to the general meeting at least once annually the income and expenses of the committee, the business operations of the Company and the progress of the liquidation, and to make a final report to the general meeting when the liquidation is completed.

The liquidation committee shall perform the following duties during the liquidation:

(I) to examine and take possession of the Company's assets and prepare a balance sheet and an inventory of assets;

(II) to inform creditors by notice or announcement;

(III) to deal with the outstanding affairs of the Company relating to liquidation;

(IV) to settle outstanding taxes as well as taxes arising in the course of liquidation;

(V) to settle claims and debts of the Company;

(VI) to dispose of the remaining assets of the Company after the settlement of debts;

(VII) to represent our Company in civil proceedings.

The liquidation committee shall notify all creditors within ten (10) days after its establishment and shall make a public announcement in a newspaper within sixty (60) days. The creditors shall declare their rights to the liquidation committee within thirty (30) days after receipt of the notice or within forty five (45) days after announcement if the creditors have not received the notice.

The creditors shall explain matters relating to their rights and provide relevant supporting documents. The liquidation committee shall register the creditor's rights.

In the creditor's rights declaration period, the liquidation committee shall not make repayment to the creditors.

After the Company has examined and taken possession of its assets and prepared a balance sheet and an inventory of assets, the liquidation committee shall formulate a liquidation plan for approval of the shareholders' general meetings or relevant competent authorities.

The Company shall, according to the types of shares and in proportion to the shares held by the shareholders, distribute the properties of the Company remaining after successive payment of the liquidation expenses, employees' wages, social insurance expenses and statutory compensations, outstanding taxes, and the Company's debts.

During the liquidation period, the Company continues to exist but cannot carry out operating activities irrelevant to the liquidation.

The Company's property shall not be distributed to the shareholders before repayment according to the preceding provision.

For dissolution due to the Company's liquidation, after the liquidation committee has examined and taken possession of the assets of the Company and prepared a balance sheet and a property inventory, if it discovers that the Company's assets are insufficient to repay its debts in full, it shall apply to the People's Court to declare the Company bankrupt pursuant to law.

Following a ruling by the People's Court that the Company is bankrupt, the liquidation committee shall transfer to the People's Court all matters relating to the liquidation.

Upon completion of the Company's liquidation, the liquidation committee shall prepare a liquidation report and a statement of the receipts and payments and the financial accounts for the liquidation period which shall be submitted to the shareholders' general meeting or the People's Court for confirmation upon verification by a certified public accountant in the PRC. The liquidation committee shall, within 30 days after the confirmation of the liquidation report by the shareholders' general meeting or the relevant competent authorities, submit the liquidation report to the authorities governing the administration of industry and commerce and apply for cancellation of registration of the Company, and publish an announcement relating to the termination of the Company.

AMENDMENTS TO THE ARTICLES

According to the requirements of laws, administrative regulations and the Articles of Association, the Company may amend the Company's Articles.

For any amendment to the Articles involving the Mandatory Provisions, no amendment shall come into effect until it is approved by the department in charge of company approval under the State Council and by CSRC. If such amendment involves registration of the Company, the involved change shall be registered pursuant to law.

SETTLEMENT OF DISPUTES

The Company follows the following rules for settlement of disputes:

(I) All disputes and claims arose between shareholders of overseas-listed foreign shares and the Company, between shareholders of overseas-listed foreign shares and the Company's Directors, Supervisors, general manager or other senior management, or between shareholders of overseas-listed foreign shares and shareholders of domestic shares arising from these Articles, any rights or obligations conferred or imposed by the Companies Law and other relevant laws and administrative regulations concerning the affairs of the Company shall be referred by the relevant parties to arbitration.

Where a dispute or claim of rights referred to in the preceding paragraph is referred to arbitration, the claim or dispute must be referred to arbitration as a whole, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, shall, where such person is our Company or our Company's shareholders, Directors, Supervisors, general manager or other senior management, comply with the decisions made in the arbitration.

Disputes in relation to the definition of shareholders and register of shareholders need not be resolved by arbitration.

(II) A claimant may elect for arbitration to be carried out at either the China International Economic and Trade Arbitration Commission in accordance with its Arbitration Rules or the Hong Kong International Arbitration Center in accordance with its Securities Arbitration Rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral institution elected by the claimant. If a claimant elects for arbitration to be carried out at the Hong Kong International Arbitration Centre, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the Securities Arbitration Rules of the Hong Kong International Arbitration Centre.

(III) If any disputes or claims of rights as set out in (I) are referred to arbitration, the laws of the PRC, excluding the Special Administration Region of Hong Kong, the Special Administration of Macau and the Taiwan region, shall apply, unless otherwise provided in the laws and administrative regulations.

(IV) The arbitration award of an arbitral institution shall be final and conclusive and binding on parties thereto.

(V) Any arbitration referred to an arbitration institution shall be deemed, as being authorized, to be subject to public hearing, and an award to be published, by the arbitration institution.

FURTHER INFORMATION ABOUT THE COMPANY

Incorporation

The Company was established in Beijing as a joint stock limited liability company on July 15, 2014. The three promoters of the Company were the Telecom Shareholders.

We have established a place of business in Hong Kong at Room 3401, 34/F China Resources Building, 26 Harbour Road, Wanchai, Hong Kong and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on September 27, 2017 under the English corporate name of "China Tower Corporation Limited" and Chinese corporate name of "中國鐵塔股份有限公司." Ms. Chu Ka Yee is the authorized representative of the Company for the acceptance of service of process and notices on behalf of the Company in Hong Kong. The address for service of process on the Company in Hong Kong is the same as its principal place of business in Hong Kong as set out above.

As the Company was established in the PRC, we are subject to the relevant laws and regulations of the PRC. A summary of the relevant aspects of laws and regulations of the PRC and our Articles of Association is set out in Appendix V and VI.

Changes in the Share Capital of the Company

Upon the establishment of the Company on July 15, 2014, our registered capital was RMB10 billion.

On December 31, 2015, our registered capital increased to RMB129,344,615,024 due to the issuance of new shares to the then existing shareholders and China Reform, and completed registration on February 24, 2016. For further details, see "*History and Development — Our History*."

Save as disclosed above, there has been no alterations in our share capital within two years immediately preceding the date of this prospectus.

Resolutions Passed by Our Shareholders' General Meeting in Relation to the Global Offering

At the extraordinary general meeting of the Shareholders held on May 3, 2018, the following resolutions, among others, were duly passed:

(a) the issuance by the Company of the H Shares and such H Shares be listed on the Hong Kong Stock Exchange;

(b) the number of H Shares to be issued be 43,114,800,000, and the grant to the International Underwriters the Over-allotment Option of not more than 15% of the number of H Shares issued pursuant to the Global Offering;

(c) authorization of the Board and its authorized persons to handle all matters in relation to, among other things, the Global Offering, the issue and listing of the H Shares; and

(d) subject to the completion of the Global Offering, the conditional adoption of the revised Articles of Association, which shall become effective on the Listing Date.

FURTHER INFORMATION ABOUT OUR BUSINESS

Summary of Our Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary and usual course of business) within the two years immediately preceding the date of this prospectus that are or may be material:

(a) the Hong Kong Underwriting Agreement;

(b) a cornerstone investment agreement dated July 17, 2018, entered into between the Company, Gaoling Fund, L.P., YHG Investment, L.P. and Goldman Sachs (Asia) L.L.C., pursuant to which Gaoling Fund, L.P. and YHG Investment, L.P. agreed to subscribe for the H Shares in the aggregate amount of US$400,000,000 at the Offer Price;

(c) a cornerstone investment agreement dated July 17, 2018, entered into between the Company, OZ Master Fund, Ltd., OZ ELS Master Fund, Ltd., OZ Enhanced Master Fund, Ltd. and China International Capital Corporation Hong Kong Securities Limited, pursuant to which OZ Master Fund, Ltd., OZ ELS Master Fund, Ltd. and OZ Enhanced Master Fund, Ltd. agreed to subscribe for the H Shares in the aggregate amount of US$300,000,000 at the Offer Price;

(d) a cornerstone investment agreement dated July 17, 2018, entered into between the Company, Darsana Master Fund LP and Goldman Sachs (Asia) L.L.C., pursuant to which Darsana Master Fund LP agreed to subscribe for the H Shares in the amount of US$175,000,000 at the Offer Price;

(e) a cornerstone investment agreement dated July 16, 2018, entered into between the Company, Taobao China Holding Limited (淘寶中國控股有限公司) and China International Capital Corporation Hong Kong Securities Limited, pursuant to which Taobao China Holding Limited agreed to subscribe for the H Shares in the amount of HK$784,800,000 at the Offer Price;

(f) a cornerstone investment date July 20, 2018, entered into between the Company, CNPC Capital Limited (中國石油集團資本有限責任公司) and China International Capital Corporation Hong Kong Securities Limited, pursuant to which CNPC Capital Limited agreed to subscribe for the H Shares in the amount of US$100,000,000 at the Offer Price;

(g) a cornerstone investment agreement dated July 15, 2018, entered into between the Company, Invus Public Equities, L.P. and Goldman Sachs (Asia) L.L.C., pursuant to which Invus Public Equities, L.P. agreed to subscribe for the H Shares in the amount of US$100,000,000 at the Offer Price;

(h) a cornerstone investment agreement dated July 9, 2018, entered into between the Company, Beijing Haidian District State-owned Capital Operation and Management Center (北京市海淀區國有資本經營管理中心) and China International Capital Corporation Hong Kong Securities Limited, pursuant to which Beijing Haidian District State-owned Capital Operation and Management Center agreed to subscribe for the H Shares in the amount of US$98,500,000 at the Offer Price;

(i) a cornerstone investment agreement dated July 18, 2018, entered into between the Company, ICBC Asset Management Scheme Nominee (中國工商銀行股份有限公司-理財計劃代理人), China International Capital Corporation Hong Kong Securities Limited and ICBC International Capital Limited, pursuant to which ICBC Asset Management Scheme Nominee agreed to subscribe for the H Shares in the amount of US$50,000,000 at the Offer Price;

(j) a cornerstone investment agreement dated July 19, 2018, entered into between the Company, China National Machinery Industry Corporation (中國機械工業集團有限公司), Wallong (Hong Kong) Limited (華隆(香港)有限公司), China International Capital Corporation Hong Kong Securities Limited, Goldman Sachs (Asia) L.L.C. and Merrill Lynch (Asia Pacific) Limited, pursuant to which China National Machinery Industry Corporation agreed to subscribe, through Wallong (Hong Kong) Limited, for the H Shares in the amount of US$50,000,000 at the Offer Price; and

(k) a cornerstone investment agreement dated July 20, 2018, entered into between the Company, SAIC Motor HK Investment Limited (上海汽車香港投資有限公司), China International Capital Corporation Hong Kong Securities Limited, Goldman Sachs (Asia) L.L.C. and Merrill Lynch (Asia Pacific) Limited, pursuant to which SAIC Motor HK Investment Limited agreed to subscribe for the H Shares in the amount of US$50,000,000 at the Offer Price.

Our Intellectual Property Rights

As of the Latest Practicable Date, the Company has registered or has applied for the following intellectual property rights which are material to the Company's business.

Trademarks

As of the Latest Practicable Date, we have registered the following trademarks which we consider to be material to our business:

No.	Registration No.	Registered Owner	Registered Trademark	Class	Place of Registration	Period of Validity
1	16239140	the Company		38	PRC	December 28, 2016 to December 27, 2026
2	304220036	the Company		9,37,38	Hong Kong	July 26, 2017 to July 25, 2027

Patents

As of the Latest Practicable Date, we have been granted the following patents which we consider to be material to our business:

No.	Patent No.	Patentee	Patent	Type	Period of Validity
1	ZL201620561504.5	the Company	A type of antenna mounting bracket for communication tower and communication tower	Utility model	January 11, 2017 to January 10, 2027
2	ZL201620554868.0	the Company	A type of protective cover for air conditioner external unit	Utility model	December 21, 2016 to December 20, 2026
3	ZL201620044774.9	the Company	A double-sector and double-band antenna used for base station	Utility model	June 8, 2016 to June 7, 2026
4	ZL201520794251.1	the Company	Omni-directional ceiling antenna	Utility model	February 3, 2016 to February 2, 2026

As of the Latest Practicable Date, we have applied for the following patents which have not yet been granted:

No.	Application No.	Applicant	Patent	Type	Application Date
1	CN201710065498.3	the Company	A type of evaluation method and system for wireless sites	Invention	February 6, 2017
2	CN201710017547.6	the Company	A kind of data sharing method and system	Invention	May 24, 2017
3	CN201710013259.3	the Company	A type of charging method and system	Invention	January 9, 2017
4	CN201510671639.7	the Company	Indoor dual-polarized omni-directional ceiling antenna	Invention	October 13, 2015

Domain Name

As of the Latest Practicable Date, we have registered the following key domain name:

No.	Registered Owner	Domain Name	Period of Validity
1	the Company	www.china-tower.com	April 29, 2015 to April 28, 2019

FURTHER INFORMATION ABOUT DIRECTORS AND SUPERVISORS

Particulars of Directors' and Supervisors' Contracts

Pursuant to Rules 19A.54 and 19A.55 of the Hong Kong Listing Rules, we have entered into a contract with each of Directors and Supervisors in respect of, among other things, (i) compliance of relevant laws or regulations, (ii) observance of the Articles and Association, and (iii) provisions on arbitration.

Save as disclosed above, none of the Directors or Supervisors has or is proposed to enter into a service contract with any member of the Company other than contracts expiring or determinable by the relevant employer within one year without the payment of compensation (other than statutory compensation).

Remuneration of Directors and Supervisors

Save as disclosed in "*Directors, Supervisors and Senior Management — Remuneration of Directors, Supervisors and Senior Management*," none of the Directors or Supervisors received other remuneration from the Company for each of the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018.

DISCLOSURE OF INTERESTS

Disclosure of Interests of Directors and Supervisors

Immediately following the completion of the Global Offering and assuming that the Over-allotment Option is not exercised, no Director, Supervisor or the chief executive will have any interest and/or short position in the Shares, underlying Shares and debentures of the Company or our associated corporations (within the meaning of Part XV of the SFO):

(a) which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short position which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of Part XV of the SFO, to be entered in the register referred to therein; or

(b) which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange, once the H Shares are listed.

Disclosure of Interests of Substantial Shareholders

For information on the persons who will, immediately following the completion of the Global Offering, have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at general meetings of the Company, see "*Substantial Shareholders*."

Disclaimers

Save as disclosed in this prospectus:

(a) none of the Directors or Supervisors has any direct or indirect interest in the promotion of the Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to the Company, or are proposed to be acquired or disposed of by or leased to the Company;

(b) none of the Directors or Supervisors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Company taken as a whole;

(c) without taking into account any H Shares which may be taken up under the Global Offering, none of the Directors or Supervisors is aware of any person (not being a Director or chief executive of the Company) who will, immediately following completion of the Global Offering, have an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; and

(d) so far as is known to the Directors, none of the Directors, their respective close associates (as defined under the Hong Kong Listing Rules) or the Shareholders who are interested in more than 5% of the issued share capital of the Company has any interests in the five largest customers or the five largest suppliers of the Company.

OTHER INFORMATION

Estate Duty

The Directors have been advised that no material liability for estate duty that is likely to be imposed on the Company.

Litigation

As of the Latest Practicable Date, the Company was not engaged in any outstanding litigation or arbitration which may have material adverse effect on the Global Offering and, so far as the Directors are aware, no litigation or claim of material importance is pending or threatened by or against the Company.

Joint Sponsors

Each of the Joint Sponsors satisfies the criteria of independence applicable to sponsors set out in Rule 3.07 of the Hong Kong Listing Rules.

The Joint Sponsors have made an application on our behalf to the Listing Committee of the Hong Kong Stock Exchange for a listing of, and permission to deal in, the H Shares to be issued as mentioned in this prospectus.

The Company has agreed to pay each of the Joint Sponsors a fee of RMB100,000 to act as a sponsor in connection with the Listing.

Compliance Adviser

The Company has appointed China International Capital Corporation Hong Kong Securities Limited as the compliance adviser upon Listing in compliance with Rules 3A.19 and 19A.05 of the Hong Kong Listing Rules.

Preliminary Expenses

We have not incurred any material preliminary expenses.

Promoters

The information of our promoters is as follows:

Name of Shareholder	Number of Shares held upon our establishment	Shareholding percentage upon our establishment
China Mobile Company	4,000,000,000	40.0%
China Unicom Corporation	3,010,000,000	30.1%
China Telecom	2,990,000,000	29.9%
Total	10,000,000,000	100%

Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor is any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

Qualification of Experts

The qualifications of the experts, as defined under the Hong Kong Listing Rules, who have given opinions in this prospectus, are as follows:

Name	Qualification
China International Capital Corporation Hong Kong Securities Limited	A corporation licensed to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts) and type 6 (advising on corporate finance) regulated activities under the SFO
Goldman Sachs (Asia) L.L.C.	A corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
PricewaterhouseCoopers	Certified Public Accountants
King & Wood Mallesons	PRC legal adviser
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant

Consents of Experts

Each of the experts named above has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or opinion and/or the references to its name included herein in the form and context in which it is respectively included.

None of the experts named above has any shareholding interests in the Company or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company.

Taxation of Holders of H Shares

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty if such sale, purchase and transfer is effected on the H Share register of members of the Company, including in circumstances where such transaction is effect on the Hong Kong Stock Exchange. The current rate of Hong Kong stamp duty for such sale, purchase and transfer is HK$2.00 for every HK$1,000 (or part thereof) of the consideration or, if higher, the fair value of the H Shares being sold or transferred. For further information in relation to taxation, see "*Appendix III — Taxation and Foreign Exchange*."

No Material Adverse Change

Save as disclosed in this prospectus, the Directors confirm that there has been no material adverse change in the financial or trading position of the Company since March 31, 2018.

Binding Effect

This prospectus shall have the effect, if an application is made in pursuant hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

Miscellaneous

Save as disclosed in this prospectus:

(a) within the two years immediately preceding the date of this prospectus:

  (i) no share or loan capital of the Company has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;

  (ii) no share or loan capital of the Company is under option or is agreed conditionally or unconditionally to be put under option;

  (iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share of the Company; and

(iv) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription for any share in or debentures of the Company;

(b) there are no founder, management or deferred shares or any debentures in the Company;

(c) there has not been any interruption in the business of the Company which may have or has had a significant effect on the financial position of the Company in the 12 months preceding the date of this prospectus;

(d) the Company has no outstanding convertible debt securities or debentures;

(e) there is no arrangement under which future dividends are waived or agreed to be waived;

(f) no part of the equity or debt securities of the Company, if any, is currently listed on or dealt in on any stock exchange or trading system, and no such listing or permission to list on any stock exchange other than the Hong Kong Stock Exchange is currently being or agreed to be sought;

(g) the Company currently does not intend to apply for the status of a sino-foreign investment joint stock limited liability company and does not expect to be subject to the Law of the PRC on Sino-foreign Equity Joint Ventures; and

(h) all necessary arrangements have been made by the Company to enable the H shares to be admitted into CCASS for clearing and settlement.

Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

(a) copies of the **WHITE**, **YELLOW** and **GREEN** Application Forms;

(b) copies of the material contracts referred to in "*Appendix VII — Further Information about Our Business — Summary of Our Material Contracts*"; and

(c) the written consents referred to in "*Appendix VII — Other information — Consents of Experts*."

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Freshfields Bruckhaus Deringer at 55/F, One Island East, Taikoo Place, Quarry Bay, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Articles of Association;

(b) the Accountant's Report from PricewaterhouseCoopers, the text of which is set out in Appendix I;

(c) the report from PricewaterhouseCoopers relating to the unaudited pro forma financial information, the text of which is set out in Appendix II;

(d) the material contracts referred to in "*Appendix VII — Further Information about Our Business — Summary of Our Material Contracts*";

(e) the written consents referred to in "*Appendix VII — Other information — Consents of Experts*";

(f) the contracts referred to in "*Appendix VII — Further Information about Directors and Supervisors — Particulars of Directors' and Supervisors' Contracts*";

(g) the legal opinions issued by King & Wood Mallesons in respect of the general matters and property interests of the Company; and

(h) the PRC Company Law, the Mandatory Provisions and the Special Regulations together with their unofficial English translations.

CHINA TOWER
中国铁塔