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)

(Stock Code: 0788)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

Highlights

❖ Operating revenue maintained steady growth, reaching RMB76,428 million, up by 6.4%, of which:

- Revenue from tower business was RMB71,406 million, up by 4.1%
- Revenue from indoor distributed antenna system ("**DAS**") business was RMB2,658 million, up by 46.1%
- Revenue from trans-sector site application and information ("**TSSAI**") and energy operation businesses was RMB2,080 million, up by 70.2%

❖ Site co-location efficiency improved continuously; tenancy ratio increased from 1.55 in the end of 2018 to 1.62.

❖ Operating efficiency enhanced steadily; EBITDA[1] was RMB56,696 million.

❖ Profitability increased rapidly; profit attributable to owners of the Company was RMB5,222 million, up by 97.1%.

❖ Cash flow remained sound and healthy; net cash generated from operating activities was RMB49,935 million; free cash flow[2] was RMB22,812 million.

Note 1: EBITDA is calculated by operating profit plus depreciation and amortization.
Note 2: Free cash flow is the net cash generated from operating activities minus the capital expenditures.
Note 3: The financial information mentioned in this announcement is prepared based on the consolidated financial information. The Company and its subsidiaries are collectively referred to as the Group.

CHAIRMAN'S STATEMENT

Dear Shareholders,

In view of the opportunities presented by China's "Cyberpower" strategy and the accelerated development of 5G networks, China Tower Corporation Limited (the "**Company**") continued to adhere to the philosophy of resource sharing in 2019. Through implementing the "One Core and Two Wings (一體兩翼)" strategy, we have strengthened our core competencies and achieved stable revenue growth, which reinforced our sound foundation for sustainable development.

Financial Performance

We maintained stable and healthy growth in 2019, recording an operating revenue of RMB76,428 million, up by 6.4% over the previous year. Our operating efficiency enhanced steadily, with EBITDA reaching RMB56,696 million and EBITDA margin of 74.2%. On the comparable basis[1], the EBITDA margin maintained at a satisfactory level of 57.9%. Profit attributable to owners of the Company reached RMB5,222 million, up by 97.1% over the previous year, demonstrating our improving profitability.

Our cash flow remained at a sound and healthy level while our debt leveraging level was stable and controlled. Net cash generated from operating activities amounted to RMB49,935 million in 2019. Capital expenditures were RMB27,123 million, while our free cash flow reached RMB22,812 million. As of 31 December 2019, the Company's total assets reached RMB338,067 million and interest-bearing liabilities amounted to RMB120,353 million with a gearing ratio[2] of 38.5%.

We strive to create good returns to our shareholders. After taking into consideration our profitability, debt levels, cash flow and capital needed for future development, the Board recommends to pay a final dividend of RMB0.01455 (pre-tax) per share for the year ended 31 December 2019, equivalent to a payout ratio of 60% of our annual distributable net profit.

Business Performance

Through leveraging the scale of our resources, we upheld our resource sharing philosophy in 2019. Building on the foundation of our telecommunications service provider ("**TSP**") business, we made a proactive move to develop our TSSAI and energy operation businesses, in order to fully implement our "One Core and Two Wings" strategy. As of the end of 2019, the tenancy ratio increased to 1.62 from 1.55 at the end of 2018, showing further improvement in the level of site co-location.

Note 1: The comparable basis represents the comparison of certain financial information in 2019 and corresponding financial information in 2018, excluding the impact of the adoption of IFRS 16. This applies to all "the comparable basis" calculations throughout this report.

Note 2: Gearing ratio is calculated as net debts, which is the net value of interest-bearing liabilities less cash and cash equivalents, divided by the sum of total equity and net debts multiplied by 100%.

Adhering to resource sharing and maintaining stable growth in TSP business

The demand for in-depth 4G network coverage and the scaling of 5G infrastructure created plenty of opportunities in the market. In view of this, we reinforced our sharing strategy by optimizing the sharing of existing resources while stepping up our efforts to acquire and utilize social resources to enhance efficiency and create collaborative value. In addition, we have developed an innovative construction and service model, which promoted the implementation of integrated wireless communications coverage solutions to satisfy our customers' demand for network coverage, thus further strengthened our core competencies. With a net addition of 69 thousand sites, we managed a total of 1,994 thousand tower sites as at the end of 2019. The total number of tower tenants increased by approximately 226 thousand over the last year and reached to 3,063 thousand. More than 80% of new tenancy demands were satisfied through co-location. The full-year revenue of our tower business increased by 4.1% year-on-year to RMB71,406 million.

With regard to our DAS business, we fully leveraged our advantages on providing coordinated one-stop solutions. By strengthening collaboration with external parties and offering diverse network solutions, we achieved rapid market expansion and boosted the growth of our DAS business. As of the end of 2019, we had covered buildings with a cumulative area of approximately 2,570 million square meters, with an additional coverage of approximately 1,110 million square meters. We also covered subways and high-speed railway tunnels with a cumulative length of approximately 3,370 kilometers and 5,318 kilometers, respectively, with additional coverage of approximately 483 kilometers and 942 kilometers, respectively. Our full-year DAS revenue increased by 46.1% year-on-year to RMB2,658 million.

Striving for innovation and developing growth momentum in Two Wings

Building on the abundance of our resources and expertise, we extended the sharing philosophy from within the industry to the wider society. In June 2019, we established two fully-owned subsidiaries, namely Smart Tower Corporation Limited (鐵塔智聯技術有限公司) and Energy Tower Corporation Limited (鐵塔能源有限公司) to accelerate the development of our Two Wings business. Our TSSAI and energy operation businesses recorded revenue of RMB2,080 million, a year-on-year growth of 70.2%.

The TSSAI business maintained fast and healthy growth. Responding to the demand raised from the evolution of the digital economy and smart society, we leveraged our capabilities on the sites and expertise advantage to broaden our service sectors and scope, from site resource services to higher value-added integrated information services. It promoted the development of digitalization and informatization of the society. Focusing on developing key sectors and key customers, centered on our three brands Smart Sharing, Smart Connection and Smart Monitoring (智享、智聯、智控), we have launched innovative projects to explore and break new ground in areas such as video surveillance, edge computing, field supervision, information and data collection and smart community. As a result, our TSSAI business achieved high-quality growth. As of the end of 2019, the total number of TSSAI tenants reached 176 thousand, increased by 35 thousand over the last year.

The layout of our energy operation business was launched effectively. In view of the demand across society for reliable energy services, by leveraging our experience in ensuring base-station power supply and operating traction batteries, we have proactively explored and formulated plans to scale up our energy operation business in the wider society. Focusing on key products and key sectors, we commenced pilot projects and built up a comprehensive product portfolio, comprising power backup and generation, charging and battery exchange. We have cultivated our capabilities and laid a good foundation for starting our energy operation business.

Corporate Governance and Social Responsibility

We continued to enhance our corporate governance systems and mechanisms, as well as to optimize comprehensive risk management, internal control and compliance systems. By doing so, we reaffirmed our commitment to enhance abilities on mitigating and controlling risks. We maintained a high level of corporate governance that will enable and safeguard the Company's healthy and sustainable development. In 2019, we initiated and implemented the first phase of the restricted share incentive scheme and, for the first time, granted an aggregated number of approximately 1.21 billion shares to our core management team and key personnel. The long-term effective incentive and restraint mechanism aligns the interests of shareholders, the Company and employees as a whole and establishes a culture of shared responsibility.

Our practical approach to fulfilling corporate social responsibilities and obligations have won us wide recognition. We further optimized resource sharing with the aim to promote cost efficiency within the industry and conserve social resources, which contributed to building a resource-conserving and environment-friendly society as well as the "Beautiful China". We were committed to building wireless networks in remote areas to support TSPs to provide an inclusive service. We adopted an innovative approach to energy savings, emission reductions, and the use of new sources of energy to put green operations into practice. We contributed to the national cause for poverty alleviation and the development of villages. We were fully committed to our obligations to support emergency communications which will ensure a stable network for TSPs to safeguard communications in unforeseeable incidents such as natural disasters and epidemics.

Outlook

As we speak, the fast-approaching 5G era is driving the transformation and upgrading of the whole information and communications industry, accelerating the progress of Cyberpower, Digital China and smart society. This presents enormous opportunities and market space for the Company. Looking ahead, as an infrastructure services provider for the information and communications sector, we will continue to uphold our strategy of resource sharing and strive for high-quality growth. As we persist with our "One Core and Two Wings" strategy, we have confidence in achieving healthy and sustainable development.

Reinforcing core competencies to achieve sustainable growth for TSP business

Responding to the scaling development of 5G networks, we will strive to adapt the changing environment, both internally and externally, with an unwavering focus on customer demand. We will reinforce our core competitive strengths to effectively support TSPs in setting up the wireless network. As an ongoing initiative, we will further leverage our capabilities to coordinate existing resources and acquire resources for new sites. We will extend our sharing strategy to make use of both self-owned resources and social resources to further enhance efficiency. We will strengthen the go-to-market efforts and proactively implement our integrated wireless communications coverage solutions. Through delivering cost-effective and high quality products and services, we will be able to meet customers' network coverage demands, and create value and collaborative success for our customers and the industry as a whole.

Unleashing synergies to scale up the development of Two Wings

In view of the rapid growth of digital economy and new energy sectors, we will further leverage our resources and expertise advantages to drive synergistic development of our Two Wings business and TSP business. We will set up service platform and develop our competency for TSSAI business in a quick way, steering towards delivering integrated information services and adopting platform operation model to upscale the business and achieve high quality development. As for our energy operation business, professional operations will serve as the foundation. We will also identify clear business foci and provide unique yet competitive products, in order to develop efficient and sustainable business on a sound platform that delivers quality services.

Focusing on quality, efficiency and value enhancement

We will continue to enhance efficiency and create benefits through innovation, particularly in key areas such as 5G power supply and site sharing in DAS business. We will speed up the development of a centralized cloud platform for resource management to better serve our business needs. We will also implement effective and delicate management, and benchmark world-class management. Across the Company, we will optimize production management processes while enhancing individual site audit and asset management throughout their life cycle, continually taking efforts to standardize our management procedures. We will also improve our incentive mechanisms to ensure that they are competitive in the market, in order to instigate a culture of value creation. With varied compensation and incentive mechanisms, we aim to motivate key talents, encourage innovation and infuse vitality into our Company.

Finally, on behalf of the Board, I would like to express my sincere gratitude to our shareholders, customers and the wider society for your support, and to our employees for your hard work and commitment.

Tong Jilu
Chairman

Beijing, China, 18 March 2020

GROUP RESULTS

China Tower Corporation Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2019 extracted from the audited consolidated financial statements of the Group as set out in its 2019 Annual Report to be published in due course.

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2019
(Expressed in Renminbi ("**RMB**"))

		Year ended 31 December	
	Note	**2019**	2018
		RMB million	*RMB million*
Operating revenue	*4*	**76,428**	71,819
Operating expenses			
Depreciation and amortisation	*2.2*	**(45,415)**	(32,692)
Site operating lease charges	*2.2*	**(639)**	(12,196)
Repairs and maintenance		**(5,993)**	(6,165)
Employee benefits and expenses		**(5,863)**	(4,917)
Other operating expenses	*5*	**(7,237)**	(6,768)
		(65,147)	(62,738)
Operating profit		**11,281**	9,081
Other gains		**154**	153
Interest income		**63**	248
Finance costs		**(4,661)**	(6,007)
Profit before taxation		**6,837**	3,475
Income tax expenses	*6*	**(1,616)**	(825)
Profit for the year		**5,221**	2,650
Profit attributable to:			
Owners of the Company		**5,222**	2,650
Non-controlling interests		**(1)**	–
Other comprehensive income, net of tax		**–**	–
Total comprehensive income for the year		**5,221**	2,650
Total comprehensive income attributable to:			
Owners of the Company		**5,222**	2,650
Non-controlling interests		**(1)**	–
		5,221	2,650
Basic and diluted earnings per share (in RMB Yuan)			
Basic/diluted	*7*	**0.0297**	0.0179

Note: The Group has initially applied International Financial Reporting Standard 16, "Leases" ("**IFRS 16**") on 1 January 2019. Under the transition method chosen, comparative information is not restated, see Note 2.1.

Consolidated balance sheet
As at 31 December 2019
(Expressed in Renminbi ("**RMB**"))

		As at 31 December	
	Note	**2019**	2018
		RMB million	*RMB million*
Assets			
Non-current assets			
Property, plant and equipment		**239,925**	249,055
Right-of-use assets	*8*	**36,140**	–
Construction in progress		**12,263**	12,193
Deferred income tax assets		**1,199**	706
Long-term prepayments	*8*	**–**	13,216
Other non-current assets		**7,545**	8,395
		297,072	283,565
Current assets			
Trade and other receivables	*9*	**26,258**	19,158
Prepayments and other current assets		**8,514**	7,805
Cash and cash equivalents		**6,223**	4,836
		40,995	31,799
Total assets		**338,067**	315,364
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital		**176,008**	176,008
Reserves		**6,551**	4,494
Total equity attributable to owners of the Company		**182,559**	180,502
Non-controlling interests		**2**	–
Total equity		**182,561**	180,502

Consolidated balance sheet (Continued)
As at 31 December 2019
(Expressed in Renminbi ("**RMB**"))

	Note	**As at 31 December 2019** *RMB million*	2018 *RMB million*
Liabilities			
Non-current liabilities			
Borrowings		**8,480**	19,064
Lease liabilities	*8*	**17,862**	–
Deferred revenue		**800**	1,039
		27,142	20,103
Current liabilities			
Borrowings		**87,019**	79,946
Lease liabilities	*8*	**6,992**	–
Deferred consideration payables		**–**	382
Accounts payable	*11*	**29,313**	30,591
Accrued expenses and other payables		**4,641**	3,263
Current income tax payable		**399**	577
		128,364	114,759
Total liabilities		**155,506**	134,862
Total equity and liabilities		**338,067**	315,364

Note: The Group has initially applied IFRS 16 on 1 January 2019. Under the transition method chosen, comparative information is not restated, see Note 2.1.

Notes to the Consolidated Financial Statements
(Expressed in RMB unless otherwise indicated)

1 Basis of preparation

The consolidated financial statements of the Group has been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**") issued by International Accounting Standards Board ("**IASB**"). The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622) and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The consolidated financial statements of the Group have been prepared under the historical cost convention, except certain financial assets or liabilities measured at fair value. For the Tower Assets acquired from the China Mobile Communication Company Limited ("**China Mobile Company**"), China United Network Communications Corporation Limited ("**China Unicom Corporation**") and China Telecom Corporation Limited ("**China Telecom**") (the three telecommunications service providers in China collectively hereinafter referred to as the "**Three TSPs**") and their parent companies in 2015, the Company uses the purchase considerations, which were negotiated and agreed with these parties as the historical costs of these Tower Assets.

The preparation of financial statements 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 Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4 of Notes to the Consolidated Financial Statements of the Group's 2019 Annual Report.

1.1 Going concern

At 31 December 2019, the Group's current liabilities exceeded its current assets by RMB87,369 million (31 December 2018: RMB82,960 million).

Given the current economic conditions and based on the Group's future operating plans and the expected levels of capital expenditures, management has comprehensively considered the following available sources of funds:

- The Group's continuous net cash inflows from operating activities;
- The available committed, unrestricted and unutilized revolving bank credit facilities of RMB156,957 million as at 31 December 2019; 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 Group has adequate funds to continue its operations and to repay its debts when they fall due, and thus concluded that the Group will be able to meet its obligations for the twelve months after 31 December 2019. Accordingly, the consolidated financial statements have been prepared on the basis that the Group will continue as a going concern.

2 Summary of Significant Accounting Policies

2.1 New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

	New standards, amendments and interpretations
IFRS 16	Leases
Amendment to IFRS 9	Prepayment features with negative compensation
Amendment to IAS 28	Long term interests in associates and joint ventures
Amendments to IAS 19	Employee benefits or plan amendment, curtailment or settlement
Amendments to IFRS	Annual Improvements to IFRSs 2015-2017 Cycle
IFRIC 23	Uncertainty over income tax treatments

The Group had to change its accounting policies as a result of adopting IFRS 16. The Group has adopted the IFRS 16 on 1 January 2019 and has not restated comparative amounts for the year prior to the first adoption (as permitted under the specific transitional provisions of the new standard), with the cumulative effect of initial adoption recognized as an adjustment to the retained earnings of the opening balance sheet on 1 January 2019. All of the other amendments listed above did not have any material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2.2 Change in accounting policy

As indicated in Note 2.1 above, the Group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

The Group mainly leases land and buildings and site properties for telecommunication towers as lessee. On the adoption of IFRS 16, the Group recognizes right-of-use assets and lease liabilities for almost all leases, except for short-term leases and low-value lease in the balance sheet, records depreciation & amortisation and finance cost accordingly. The Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rates as of 1 January 2019. The lessee's incremental borrowing rates applied to the lease liabilities were 3.76% to 4.47% per annum. Right-of-use assets are measured on transition as if the new rules have had always been applied.

(a) Practical expedients applied for transition

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

(b) Measurement of lease liabilities

The reconciliation between the operating lease commitments disclosed as at 31 December 2018 and the lease liabilities recognized as at 1 January 2019 are as follows:

	RMB million
Operating lease commitments disclosed as at 31 December 2018	30,105
(Less): Short-term leases and low-value leases recognised on a straight-line basis as expense	(55)
Discounting impact using the Group's incremental borrowing rate at the date of initial application	(5,488)
Lease liabilities recognised as at 1 January 2019	24,562
Of which are:	
Current lease liabilities	2,970
Non-current lease liabilities	21,592

(c) Measurement of right-of-use assets

The right-of-use assets were measured on a retrospective basis as if the new rules had always been applied.

(d) Adjustments recognised in the balance sheet on 1 January 2019

The change in accounting policy affected the following items in the consolidated balance sheet on 1 January 2019:

- long-term prepayments – decrease by RMB13,216 million
- right-of-use assets – increase by RMB36,112 million
- deferred tax assets – increase by RMB385 million
- lease liabilities – increase by RMB24,562 million

In addition, the Group's retained earnings and statutory reserves as at 1 January 2019 decreased by RMB1,201 million and RMB80 million, respectively.

Due to the application of IFRS 16 on 1 January 2019, the amortisation of right-of-use assets was presented in the "Depreciation and amortisation", and lease payment relating to short-term leases and low-value leases was primarily presented in the "Site operating lease charges"; while in the year ended 31 December 2018, all of such operating lease payment made under IAS 17 was presented as "Site operating lease charges".

(e) Lessor accounting

The Group continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently which is same as IAS 17. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

3 Segment information

The executive directors and senior management, as a decision making group has been identified as the Group's chief operating decision-maker ("**CODM**"). The Group has determined the operating segments based on the information reviewed by the CODM for the purposes of allocating resources and assessing performance. The CODM reviewed the performance from revenue stream prospective and has identified Tower business, DAS business, TSSAI business and energy operation business as its operating segments. As more than 90% of the revenue generated from Tower business and due to the similarity of the economic characteristics, all of these operating segments were aggregated and treated as a single reportable segment.

All of the Group's long-lived assets are mainly located in the mainland China and all the Group's revenue and operating profit are mainly derived from the mainland China during the year.

4 Operating revenue

The table below summarises the Group's operating revenue by business types:

	Year ended 31 December	
	2019	2018
	RMB million	*RMB million*
Tower business *(Note (i))*		
– Macro cell business	**70,748**	68,191
– Small cell business	**658**	406
	71,406	68,597
DAS business	**2,658**	1,819
TSSAI business	**1,887**	1,222
Energy operation business	**193**	–
Others	**284**	181
	76,428	71,819

Note:

(i) The table below summarises the Group's Tower business revenue by nature of services:

	Year ended 31 December	
	2019	2018
	RMB million	*RMB million*
Revenue from the provision of Site Space	**60,380**	57,722
Revenue from Services*	**11,026**	10,875
	71,406	68,597

* Revenue from Services primarily comprises maintenance services revenue and power services revenue that accounted for under IFRS 15.

(ii) The major customers that contribute more than 10% of the total revenue of the Group are listed as below:

	Year ended 31 December	
	2019	2018
	RMB million	*RMB million*
China Mobile Company and its subsidiaries	**39,915**	38,919
China Unicom Corporation	**16,703**	15,764
China Telecom	**17,767**	16,056
	74,385	70,739

For the year ended 31 December 2019, the revenue generated from the Three TSPs accounted for 97.33% (2018: 98.50%) of the total revenue.

5 Other operating expenses

Other operating expenses mainly represent power generation charges, site operation and support expenses, loss on write-off/disposal of property and equipment, technical support charges, property management expenses and utilities, other taxes and surcharges (excluding value-added tax and income tax), credit loss allowance, professional fees and other miscellaneous expenses (such as travelling and communications expenses).

	Year ended 31 December	
	2019	2018
	RMB million	*RMB million*
Power generation charges *(Note)*	**1,857**	1,990
Site operation and support expenses *(Note)*	**1,768**	1,968
Losses on write-off/disposal of property and equipment	**919**	843
Technical support charges	**780**	324
Property management expenses and utilities	**396**	645
Other taxes and surcharges	**187**	164
Auditors' remuneration	**9**	8
Credit loss allowance	**395**	–

Note: Power generation charges are expenditures incurred during electric power generation, such as diesel oil.

Site operation and support expenses are expenditures paid to third-party suppliers for site planning and monitoring expenses and the charges of vehicles and transportation incurred during the daily operation of each site.

6 Income tax 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 consolidated statement of comprehensive income represents:

	Year ended 31 December	
	2019	2018
	RMB million	*RMB million*
Current tax		
Current tax on estimated taxable profits for the year	**1,724**	842
Deferred tax		
Origination of temporary differences	**(108)**	(17)
Income tax expenses	**1,616**	825

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the PRC statutory income tax rate applicable to the Group as follows:

	Year ended 31 December	
	2019	2018
	RMB million	*RMB million*
Profit before taxation	**6,837**	3,475
Tax at PRC statutory tax rate of 25%	**1,709**	869
Rate differential of certain provincial branches of the Group *(Note)*	**(111)**	(50)
Tax effect of non-deductible expenses	**18**	6
Income tax expenses	**1,616**	825

Note: The Company's PRC statutory income tax rate is 25%. 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/branches 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 Group obtained the approval in 2017 and were entitled to this preferential income tax rate of 15% until 2020.

7 Basic and diluted earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company, by the weighted average number of ordinary shares in issue during the years, while the shares purchased for the restricted share incentive scheme excluded.

	Year ended 31 December	
	2019 *(Note)*	2018
Profit attributable to owners of the Company (RMB million)	**5,222**	2,650
Weighted average number of ordinary shares in issue (million)	**175,643**	148,492
Basic earnings per share (in RMB Yuan)	**0.0297**	0.0179

Note: On 18 April 2019, the shareholders of the Company approved the adoption of a restricted share incentive scheme. During the year ended 31 December 2019, 1,053 million shares were acquired by the trustee from the secondary market (2018: Nil).

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

The Group only has one category of potential ordinary shares, that is the shares granted to employee under the restricted share incentive scheme.

Conditions for unlocking of restricted shares granted are subject to achievement of certain performance condition and treated as contingently issuable shares. As the conditions which were not achieved as of 31 December 2019, restricted shares granted to employees were not included in the calculation of diluted earnings per share for the year ended 31 December 2019.

8 Lease

(a) The consolidated balance sheet shows the following amounts relating to leases where the Group is a lessee:

	Sites and premises *RMB million*	**Land use rights** *RMB million*	**Total** *RMB million*
Right-of-use assets *(Note)*:			
As at 1 January 2019	55,326	957	56,283
Additions	11,497	156	11,653
Termination and modification of lease contracts	(3,292)	–	(3,292)
As at 31 December 2019	**63,531**	**1,113**	**64,644**
Accumulated amortisation:			
As at 1 January 2019	(20,090)	(81)	(20,171)
Charge for the year	(11,355)	(38)	(11,393)
Termination and modification of lease contracts	3,060	–	3,060
As at 31 December 2019	**(28,385)**	**(119)**	**(28,504)**
Closing net book amount			
As at 1 January 2019	35,236	876	36,112
As at 31 December 2019	**35,146**	**994**	**36,140**

	As at 31 December 2019 ***RMB million***	As at 1 January 2019 *RMB million*
Lease Liabilities		
– Current	**6,992**	2,970
– Non-current	**17,862**	21,592
	24,854	24,562

Note:

Land use rights and prepayments for site ground lease amounting to RMB13,216 million in total, which previously recorded as "Long-term prepayments" as at 31 December 2018, were reclassified to "Right-of-use assets" on 1 January 2019 upon the adoption of IFRS 16.

(b) The consolidated statement of comprehensive income shows the following amounts relating to leases where the Group is a lessee:

	Year ended 31 December 2019 *RMB million*
Depreciation charge of right-of-use assets	**11,393**
Interest expense	**1,329**
Expense relating to short-term leases and low-value leases	**795**

(c) The total cash outflow for leases for the year ended 31 December 2019 was RMB11,219 million.

(d) The Group's leasing activities:

The Group mainly leases premises and site properties for telecommunication towers (as lessee). Rental contracts of premises and site properties are typically made for periods of 3 to 10 years, and do not generally have any extension and termination options. Lease terms are negotiated on an individual/group basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. Substantially all of the rental contracts held by the Group with fixed lease payment, and did not contain residual value guarantee terms.

The remaining useful life of land use rights is generally 10 to 30 years.

9 Trade and other receivables

	As at 31 December 2019 *RMB million*	As at 31 December 2018 *RMB million*
Trade receivables *(Note (a))*	**21,289**	13,534
Less: Credit loss allowance	**(395)**	–
Trade receivables – net	**20,894**	13,534
Deposits *(Note (b)(i))*	**758**	682
Payments on behalf of customers *(Note (b)(ii))*	**4,605**	4,941
Others	**1**	1
Other receivables	**5,364**	5,624
Trade and other receivables	**26,258**	19,158

As at 31 December 2019 and 2018, trade and other receivables were primarily denominated in RMB and their carrying amounts approximated their fair values.

(a) Trade receivables

Aging analysis of the Group's gross trade receivables based on the billing at the respective consolidated balance sheet dates is as follows:

	As at 31 December 2019	As at 31 December 2018
	RMB million	*RMB million*
Up to 3 months	**16,168**	13,303
3 to 6 months	**3,449**	102
Over 6 months	**1,672**	129
	21,289	13,534

Trade receivables are analysed by customers:

	As at 31 December 2019	As at 31 December 2018
	RMB million	*RMB million*
China Mobile Company and its subsidiaries	**10,818**	7,580
China Unicom Corporation	**3,696**	2,380
China Telecom	**5,099**	2,888
Others	**1,676**	686
	21,289	13,534

Trade receivables primarily comprise receivables from the Three TSPs. Other third-party customers include local government authorities and public institutions, state-owned companies and other customer groups. Trade receivables from customers are mainly due for payment within 1-3 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.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The expected credit loss of certain customers or relevant groups are based on current conditions as well as reasonable forecasts of future economic conditions from time to time. Additional credit loss allowance would be immediately recognized in the profit and loss when there has been a significant increase the expected credit losses of corresponding receivables from initial recognition.

(b) Other receivables

(i) Deposits primarily include deposits for site ground lease, office premises lease, and equipment purchase. The carrying amount of deposits do not differ significantly from their fair values.

(ii) Payments on behalf of customers mainly represent the payments made by the Group to its customers, on behalf of customers for certain sites electric power charges when the Group provides the services of power access to its customers and acting as an agent. Such customers usually make payment to the Group within 1-3 months. Due to the financial strength, good reputation and credit history of these customers, management considers that the expected credit loss is immaterial, therefore no credit loss allowance has been made for the years ended 31 December 2019 and 2018.

10 Dividends

(a) Ordinary shares

	Year ended 31 December	
	2019	2018
	RMB million	*RMB million*
Ordinary shares		
Final dividend for the year ended 31 December 2018 of RMB0.00225 per ordinary share	**396**	–

(b) Dividends not recognised at the end of reporting period:

On 18 March 2020, the Board of Directors of the Company proposed the payment of a final dividend of RMB0.01455 per ordinary share to the shareholders for the year ended 31 December 2019, totalling approximately RMB2,561 million. As the ordinary final dividend is declared after the balance sheet date, such dividend is not recognized as liability as at 31 December 2019.

11 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 based on the due date is as follows:

	As at 31 December 2019 *RMB million*	As at 31 December 2018 *RMB million*
Less than six months	**20,250**	25,722
Six months to one year	**4,548**	3,560
More than one year	**4,515**	1,309
	29,313	30,591

FINANCIAL OVERVIEW

(Expressed in RMB unless otherwise indicated)

1. Summary

In 2019, the Company insisted in strategy-oriented to enhance the "sharing" philosophy, while exploring diversified market opportunities and continuing to implement delicacy management, the operating results were steadily improved.

In 2019, the operating revenue of the Company amounted to RMB76,428 million, up by 6.4% over last year; the operating profit amounted to RMB11,281 million, up by 24.2% over last year; profit attributable to owners of the Company was RMB5,222 million, up by 97.1% over last year; the EBITDA was RMB56,696 million, up by 35.7% over last year; the capital expenditures amounted to RMB27,123 million and the free cash flow amounted to RMB22,812 million.

The Company has adopted IFRS16 "Lease" since 1 January 2019. Pursuant to the requirement of the standard, the Company, as the lessee, has recognised in the balance sheet lease liabilities that reflect future lease payments and right-of-use assets whereas short-term leases or low-value leases were elected to be exempted. In the meantime, depreciation and amortisation expenses related to right-of-use assets and finance costs related to lease liabilities were recognised instead of corresponding lease expenses that shall be included under "site operating lease charges", while cash payments of lease liabilities were incorporated in cash flows from financing activities. The operating profit in 2019 amounted to RMB10,224 million, up by 12.6% over last year; the EBITDA was RMB44,284 million, up by 6.0% over last year; and the free cash flow amounted to RMB11,593 million, assuming that IFRS 16 has not been adopted by the Company and compared with the data of the same period over 2018 on the same comparable basis, which is referred to as "comparable basis" hereinafter.

2. Operating Revenue

In 2019, the Company built on resources sharing. Serving TSPs with towers and DAS remained our overarching focus, supplemented by the TSSAI and energy operation businesses, for actively promoting the One Core and Two Wings strategy. In 2019, the operating revenue of the Company amounted to RMB76,428 million, up by 6.4% over last year; and our revenue constantly recorded stable growth, and our revenue structure tended to diverse. The aggregated proportion of revenue from non-tower business, including DAS business and Two Wings business, increased from 4.5% to 6.6% over last year.

The table below summarises the changes in composition of the Company's operating revenue for the years of 2019 and 2018:

(RMB million)	**2019** Total amount	**2019** Proportion in Operating revenue	2018 Total amount	2018 Proportion in Operating revenue
Operating revenue	**76,428**	**100.0%**	71,819	100.0%
Of which: Tower business	**71,406**	**93.4%**	68,597	95.5%
DAS business	**2,658**	**3.5%**	1,819	2.5%
TSSAI and energy operation businesses	**2,080**	**2.7%**	1,222	1.7%
Other business	**284**	**0.4%**	180	0.3%

Revenue from tower business

In 2019, the Company actively advanced integrated resource sharing and services covering towers, shelters, maintenance and monitoring, etc. Meanwhile, the tower business continued to grow and the revenue from tower business amounted to RMB71,406 million, up by 4.1% over last year through the integrated wireless communications coverage solutions for indoor and outdoor wireless communications coverage with a mix of macro cells and small cells to address specific needs of customers in a cost-effective and high efficient manner.

Revenue from DAS business

In 2019, the Company fully exerted our coordination and entrance advantages in key scenarios. The Company also strengthened external cooperation by the diversified construction proposal with the combination of active and passive DAS, and actively expanded the DAS market. The revenue from DAS business amounted to RMB2,658 million, up by 46.1% over last year. The revenue from DAS business accounted for 3.5% of our operating revenue, representing an increase of 1.0 percentage point compared to that of last year.

Revenue from TSSAI and energy operation businesses

In 2019, the Company, having maximised core resources advantages, actively exploited the innovation in the TSSAI business model based on platform operation and integrated information service, conducted exploration in respect of power backup, generation and charging, battery exchange, and echelon use of batteries and formulated layout for social operation and services of energy, recorded a revenue of RMB2,080 million from TSSAI and energy operation businesses, up by 70.2% over last year, of which the revenue from TSSAI business was RMB1,887 million and the energy operation business was RMB193 million. The revenue from TSSAI and energy operation businesses accounted for 2.7% of our operating revenue, representing an increase of 1.0 percentage point compared to that of last year.

Revenue from other business

In 2019, the Company provided other services such as agent construction for transmission facilities, achieving an operating revenue of RMB284 million.

3. Operating Expenses

In 2019, the Company persisted in delicacy management of individual sites, while reducing costs by referencing to benchmarks; leveraged transparent and efficient Internet-based management models for precise and intensive cost deployment, reduction in costs and improvement in efficiency were enhanced. In 2019, the operating expenses were RMB65,147 million, up by 3.8% over last year. The operating expenses accounted for 85.2% of the operating revenue, down by 2.2 percentage points over last year.

The table below summarises the changes in composition of the Company's operating expenses for the years of 2019 and 2018 on the comparable basis:

(RMB million)	**2019** **Total amount**	**Total amount (on the comparable basis)**	**The comparable basis as a proportion of Operating revenue**	2018 Total amount	Proportion in Operating revenue
Operating expenses	**65,147**	**66,204**	**86.6%**	62,738	87.4%
Of which: Depreciation and amortisation	**45,415**	**34,060**	**44.6%**	32,692	45.5%
Site operating lease charges	**639**	**12,699**	**16.6%**	12,196	17.0%
Repair and maintenance	**5,993**	**5,993**	**7.8%**	6,165	8.6%
Employee benefits and expenses	**5,863**	**5,863**	**7.7%**	4,917	6.8%
Other operating expenses	**7,237**	**7,589**	**9.9%**	6,768	9.5%

Depreciation and amortisation

In 2019, the depreciation and amortisation were RMB45,415 million. Benefited from improvement in co-location efficiency, the implementation of integrated solution and the utilization of social resources, the investment in construction of the Company was effectively controlled, with the depreciation and amortization up by 4.2% over last year on the comparable basis, and accounted for 44.6% of the operating revenue, representing a decrease from 45.5% in last year.

Site operating lease charges

In 2019, the Company strengthened the management of site rent contracts renewal and strived for low-cost site resources to effectively control the increase in costs of sites. The site operating lease charges were RMB639 million. On the comparable basis, the site operating lease charges were up by 4.1% over last year, and accounted for 16.6% of the operating revenue, representing a decrease from 17.0% in last year.

Repair and maintenance expenses

In 2019, the Company leveraged the nationwide "Internet of Things + Internet" wireless monitor system to improve capability in precise repair and maintenance, strengthen cost control in repair and maintenance, and provide professional retail and maintenance protection in a low-cost and sound-service manner. Repair and maintenance expenses were RMB5,993 million, down by 2.8% over last year.

Employee benefits and expenses

In 2019, the Company insisted on implementing performance-linked incentive policy, timely recruited outstanding industry talents to fulfill its business development needs for Two Wings business, first adopted and implemented restricted share incentive scheme, achieving employee benefits and expenses of RMB5,863 million, up by 19.2% over last year.

Other operating expenses

In 2019, other operating expenses were RMB7,237 million. On the comparable basis, other operating expenses were up by 12.1% over last year, of which development expenses primarily incurred for TSSAI and energy operation businesses were up by RMB456 million over last year due to the development of TSSAI and energy operation business; credit loss allowance were up by RMB395 million over last year, due to recognition of which in a prudent manner based on the client's expected credit losses.

4. Finance Costs

The Company insisted on centralized management of funds, multi-channel fund-raising with low costs to reduce costs of funds. As of the end of 2019, the Company had interest-bearing liabilities of RMB120,353 million, down by RMB3,893 million over last year on the comparable basis. Due to decrease in average balance of interest-bearing liabilities and decline in comprehensive finance costs, the Company's net finance costs amounted to RMB4,598 million in 2019, down by 20.2% over last year. On the comparable basis, net finance costs were down by 43.2% over last year.

5. Profitability

Operating profit and EBITDA

In 2019, the Company's operating profit amounted to RMB11,281 million, up by 24.2% over last year; the EBITDA amounted to RMB56,696 million, increased by 35.7% over last year, representing 74.2% of operating revenue. On the comparable basis, EBITDA increased by 6.0% over last year, representing 57.9% of operating revenue.

Profit attributable to owners of the Company

In 2019, profit attributable to owners of the Company amounted to RMB5,222 million, up by 97.1% over last year. The Company's basic earnings per share for 2019 was RMB0.0297.

6. Capital Expenditures and Cash Flow

Capital expenditures

In 2019, the Company underwent further in resources sharing and leveraged on utilisation of self-owned and social resources to satisfy customers' needs for construction with low-cost and high efficiency. Meanwhile, by persistently enhancing asset management throughout their life cycle and efficiently monitoring and controlling the scale of investment, the capital expenditures accumulated to RMB27,123 million and accounted for 35.5% of the revenue, representing a decrease from 36.9% over last year.

The table below summarises the major items of the Company's capital expenditures in 2019.

(RMB million)		**2019 Total amount**	**2019 Proportion**
Capital expenditures		**27,123**	**100.0%**
Of which:	New site construction and augmentation	**19,725**	**72.7%**
	Site replacement and improvement	**4,203**	**15.5%**
	I.T. support and purchase of comprehensive building for production	**3,195**	**11.8%**

Operating cash flow and free cash flow

In 2019, the Company had net cash generated from operating activities of RMB49,935 million. Free cash flow, after deducting the capital expenditures, was RMB22,812 million. On the comparable basis, net cash generated from operating activities amounted to RMB38,716 million and free cash flow amounted to RMB11,593 million.

7. Balance Sheet Status

As at the end of 2019, the Company's total assets amounted to RMB338,067 million; the Company's total liabilities amounted to RMB155,506 million, of which the net debts amounted to RMB114,130 million. The debt to asset ratio was 46.0%, decreased by 1.1 percentage points from the restated basis[1] at 1 January 2019; the gearing ratio dropped by 1.4 percentage points from the restated basis at 1 January 2019 to 38.5%.

Note 1: restated basis at 1 January 2019 refers to the amount of the data in the balance sheet as at 31 December 2018 after retrospective adjustment according to the changes in accounting policies upon initial implementation of IFRS 16 by the Company on 1 January 2019.

OTHER INFORMATION

Purchase, Sale or Redemption of the Company's Listed Securities

For the year ended 31 December 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Audit Committee

The audit committee, together with the management of the Company, have reviewed the accounting principles and practices adopted by the Group, and discussed internal control and financial reporting matters, including the review of the audited consolidated financial statements for the financial year ended 31 December 2019.

Compliance with the Corporate Governance Code

The Company is committed to maintaining a high standard of corporate governance. For the year ended 31 December 2019, the Company had complied with the code provisions set out in the Corporate Governance Code as contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") (where applicable), except the deviation from Code Provision A.2.1 of the Corporate Governance Code.

Code Provision A.2.1 of the Corporate Governance Code in Appendix 14 to the Listing Rules requires that the roles of the chairman and chief executive should be separate and should not be performed by the same individual. For the period ended 10 June 2019, the Company did not have separate chairman and chief executive; Mr. Tong Jilu ("**Mr. Tong**") was 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, the Board considered 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, acted as the general manager of the Company. The Board believed that this structure would not impair the balance of power and authority between the Board and the management of the Company, given that:

(i) there was 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, for the period ended 10 June 2019, our Board had three independent non-executive Directors out of the seven Directors, which was in compliance with the Listing Rules;

(ii) Mr. Tong and the other Directors were 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 was ensured by the operations of the Board which comprised experienced and high caliber individuals who met 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 were made collectively after thorough discussion at both Board and senior management levels.

On 10 June 2019, Mr. Tong resigned from his position as the general manager of the Company due to work adjustment. Mr. Gu Xiaomin was appointed as the general manager of the Company on the same day. Mr. Tong continued serving as the chairman of the Board and an executive Director. Since then, the Company has complied with the Code Provision A.2.1 of the Corporate Governance Code.

Compliance with the Model Code

The Company has adopted the Code of Conduct for Securities Transactions by the Directors, Supervisors and Relevant Employees of China Tower Corporation Limited (the "**Company Code**") which is substantially based on the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules and is on terms no less exacting than those in the Model Code.

The Company has made specific enquiries to all Directors and Supervisors, and all Directors and Supervisors have confirmed that they have complied with the Company Code and the Model Code during the year ended 31 December 2019.

Events After the Reporting Period

(a) Issue of super short-term commercial papers

On 9 March 2020, the Company issued super short-term commercial papers in the amount of RMB4,000 million with a maturity of 178 days in China's interbank bond market.

On 12 March 2020, the Company issued super short-term commercial papers in the amount of RMB2,000 million with a maturity of 180 days in China's interbank bond market.

On 13 March 2020, the Company issued super short-term commercial papers in the amount of RMB2,000 million with a maturity of 179 days in China's interbank bond market.

(b) The impact of Novel Coronavirus

After the outbreak of Coronavirus Disease 2019 ("**COVID-19 outbreak**") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country. The Company will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Company. As at the date of this announcement, the Company was not aware of material adverse effects on the financial statements as a result of the COVID-19 outbreak.

Contingent Liabilities

As at 31 December 2019, the Company had no contingent liabilities.

Material Legal Proceedings

For the year ended 31 December 2019, the Company was not involved in any material litigation or arbitration, and as far as the Company is aware, no material litigation or claims were pending or threatened or made against the Company.

Annual General Meeting

The Company will hold the annual general meeting on 21 May 2020 (the "**2019 AGM**"). Notice of the 2019 AGM will be published on the website of the Company (www.china-tower.com) and the website of the Hong Kong Stock Exchange (www.hkexnews.hk), and will be dispatched to the shareholders of the Company (the "**Shareholder**") in due course.

Final Dividend

The Board proposes a final dividend of RMB0.01455 (pre-tax) per share for the year ended 31 December 2019. The dividend proposal will be proposed to the 2019 AGM for the Shareholders' consideration. The proposed final dividends, if approved, will be denominated and declared in Renminbi, which are expected to be paid on or around 30 June 2020 upon approval at the 2019 AGM.

Dividends will be paid in Renminbi for holders of domestic shares and the Southbound Shareholders, and dividends for H share Shareholders other than the Southbound Shareholders will be paid in Hong Kong dollars. The relevant exchange rate will be the average of the mid-point rates of Renminbi to Hong Kong dollars as announced by the People's Bank of China for the week prior to the date of approval of declaration of dividends by the 2019 AGM. The record date for entitlement to the Shareholders' rights and the relevant arrangements of dividend distribution for Southbound Shareholders are the same as those for the Company's H share Shareholders.

Under the requirements of the Law of the People's Republic of China on Enterprise Income Tax《中華人民共和國企業所得稅法》, the Regulations for the Implementation of the Law of the People's Republic of China on Enterprise Income Tax《中華人民共和國企業所得稅法實施條例》 implemented in 2008, the Company has the obligation to withhold enterprise income tax at a rate of 10% on dividends when it pays the proposed final dividend for 2019 to its H share Shareholders who are overseas non-resident enterprises (including HKSCC Nominees Limited, other institutional nominees and trustees, or other organizations or groups) listed on the H Share register of members on 2 June 2020.

According to the requirement under Guo Shui Han [2011] No. 348 issued by the State Administration of Taxation (國家稅務總局國稅函[2011]348號規定) and the relevant laws and regulations, for individual H share Shareholders who are Hong Kong or Macau residents and whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of 10%, the Company will withhold the individual income tax at the rate of 10%. For individual H share Shareholders whose country of domicile is a country which has entered in to a tax treaty with the PRC stipulating a dividend tax rate lower than 10%, the Company will withhold the individual income tax at a tax rate of 10% of dividend. For individual H share Shareholders whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate higher than 10% but lower than 20%, the Company will withhold the individual income tax at the effective tax rate under the relevant tax treaty. For individual H share Shareholders whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate higher than 20%, or a country which has not entered into any tax treaties with PRC, or under any other circumstances, the Company will withhold and pay individual income tax at the rate of 20% on behalf of the individual H share Shareholders.

The Company will determine the country of domicile of the individual H share Shareholders based on the registered address as recorded in the H share register of members of the Company on 2 June 2020. If the country of domicile of an individual H share Shareholder is not the same as the registered address or if the individual H share Shareholder would like to apply for a refund of the additional amount of tax finally withheld and paid, the individual H share Shareholder shall notify and provide relevant supporting documents to the Company on or before 27 May 2020. Upon examination of the supporting documents by the relevant tax authorities, the Company will follow the guidance given by the tax authorities to implement relevant tax withholding and payment provisions and arrangements. Individual H share Shareholders may either personally or appoint a representative to attend to the procedures in accordance with the requirements under the tax treaties notice if they do not provide the relevant supporting documents to the Company within the time period stated above.

For Southbound Investors (including enterprises and individuals), the Shanghai branch of China Securities Depository and Clearing Corporation Limited and the Shenzhen branch of China Securities Depository and Clearing Corporation Limited, as the nominees of the Shareholders of the Southbound Trading, will receive all dividends distributed by the Company and will distribute the dividends to the relevant Shareholders under the Southbound Trading through its depositary and clearing system. According to the relevant provisions under the "Notice on Taxation Policies for Shanghai-Hong Kong Stock Connect Pilot Programme (《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)" and "Notice on Taxation Policies for Shenzhen-Hong Kong Stock Connect Pilot Programme (《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》) (Cai Shui [2016] No. 127)", the Company shall withhold individual income tax at the rate of 20% with respect to dividends received by the Mainland individual investors for investing in the H shares of the Company listed on the Hong Kong Stock Exchange through the Southbound Trading. In respect of the dividends for the investment of Mainland securities investment funds in the H shares of the Company listed on Hong Kong Stock Exchange through the Southbound Trading, the tax levied on dividends derived from such investment shall be ascertained by reference to the rules applicable to the treatment of individual income tax. The Company is not required to withhold income tax on dividends derived by the Mainland enterprise investors under the Southbound Trading, and such enterprises shall report the income and make tax payment by themselves. The record date for entitlement to the Shareholders' rights and the relevant arrangements of dividend distribution for the Southbound Investors are the same as those for the Company's H share Shareholders.

The Company assumes no responsibility and disclaims all liabilities whatsoever in relation to the tax status or tax treatment of the H share Shareholders and for any claims arising from any delay in or inaccurate determination of the tax status or tax treatment of the H share Shareholders or any disputes relating to the tax withholding and payment mechanism or arrangements.

Closure of Register of Members

For the purpose of ascertaining the H share Shareholders' rights to attend and vote at the 2019 AGM (and any adjournment thereof), and entitlement to the 2019 final dividend, the H share's register of members of the Company will be closed. Details of such closures are set out below:

(1) For ascertaining the H share Shareholders' rights to attend and vote at the 2019 AGM (and any adjournment thereof)

Latest time to lodge transfer documents for registration	4:30 p.m. on 20 April 2020
Closure of register of members (both inclusive)	21 April 2020 to 21 May 2020
Record date	21 May 2020

(2) For ascertaining the H share Shareholders' entitlement to the 2019 final dividend

Latest time to lodge transfer documents for registration	4:30 p.m. on 27 May 2020
Closure of register of members (both inclusive)	28 May 2020 to 2 June 2020
Record date	2 June 2020

During the above closure periods, no transfer of H shares will be registered. To be eligible to attend and vote at the 2019 AGM, and to qualify for the 2019 final dividend, all transfer documents, accompanied by the relevant certificates, must be lodged with the Company's 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, by no later than the aforementioned latest times.

Publication of Annual Results Announcement and Annual Report

This announcement is published on the website of the Company (www.china-tower.com) and the website of the Hong Kong Stock Exchange (www.hkexnews.hk).

The 2019 annual report will be published on the website of the Company (www.china-tower.com) and the website of the Hong Kong Stock Exchange (www.hkexnews.hk), and will be dispatched to the Shareholders in due course.

Forward Looking Statements

The performance and the results of the operations of the Company contained in this announcement are historical in nature, and past performance is no guarantee of the future results of the Company. Any forward-looking statements and opinions contained within this announcement are based on current plans, estimates and projections, and therefore involve risks and uncertainties. Actual results may differ materially from expectations discussed in such forward-looking statements and opinions. The Company, the Directors and the employees of the Company assume (a) no obligation to correct or update the forward-looking statements or opinions contained in this announcement; and (b) no liability in the event that any of the forward-looking statements or opinions do not materialise or turn out to be incorrect.

By Order of the Board
China Tower Corporation Limited
Tong Jilu
Chairman

Beijing, China, 18 March 2020

As at the date of this announcement, the Board of Directors of the Company comprises:

Executive directors	:	*Tong Jilu (Chairman of the Board) and Gu Xiaomin (General Manager)*
Non-executive directors	:	*Dong Xin and Zhang Zhiyong*
Independent non-executive directors	:	*Fan Cheng and Tse Yung Hoi*