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)

(Stock Code: 0788)

ANNOUNCEMENT OF 2019 INTERIM RESULTS

Highlights

❖ Operating revenue was RMB37,980 million with a stable growth, up by 7.5%, of which:

- Revenue from tower business was RMB35,808 million, up by 5.1%
- Revenue from indoor distributed antenna system ("**DAS**") business was RMB1,254 million, up by 52.2%
- Revenue from trans-sector site application and information ("**TSSAI**") business increased from RMB374 million (1H2018) to RMB843 million (1H2019), up by 125.4%

❖ Operating efficiency enhanced steadily; EBITDA[1] was RMB27,815 million.

❖ Profitability increased rapidly; profit attributable to owners of the Company was RMB2,548 million, up by 110.6%.

❖ Cash flow improved solidly; cash flow from operating activities was RMB20,798 million; free cash flow[2] was RMB11,892 million.

Note 1: EBITDA is the operating profit plus depreciation and amortization.

Note 2: Free cash flow is the net cash generated from operating activities minus the capital expenditures.

CHAIRMAN'S STATEMENT

Dear Shareholders,

In line with the strategy of "Cyberpower" and "Digital China" and the commencement of the construction of 5G network since 2019, we, China Tower Corporation Limited (the "**Company**"), have continued to deepen the philosophy of resource sharing and implemented our "One Core and Two Wings (一體兩翼)" strategy. We have navigated a steady phase of high-quality development and efficiency enhancements. The strong vitality of the organization bodes well for sustainable development.

Financial Performance

We maintained stable and healthy growth in the first half of 2019, recording an operating revenue of RMB37,980 million, up by 7.5% over the same period last year. Our operating efficiency enhanced steadily, with EBITDA reaching RMB27,815 million, EBITDA margin[1] was 73.2%. On a comparable basis[2], the EBITDA margin maintained at a satisfactory level of 58.0%. Net profit reached RMB2,548 million, up by 110.6% over the same period last year, demonstrating our improving profitability.

Our cash flow continued to improve steadily. In the first half of 2019, net cash generated from operating activities amounted to RMB20,798 million. Our capital expenditures amounted to RMB8,906 million, while our free cash flow reached RMB11,892 million. As of 30 June 2019, the Company's total assets reached RMB336,328 million and interest-bearing liabilities amounted to RMB120,536 million with a gearing ratio[3] of 39.4%, representing a stable and controllable debt leveraging level.

Business Performance

In the first half of 2019, the Company further implemented the "One Core and Two Wings" strategy. By promoting resource sharing and cultivating a win-win philosophy within the industry, we bolstered the solid foundations of our telecommunications service provider ("**TSP**") business. Also, we continued to nurture our TSSAI and energy operation businesses through leveraging the scale of our resources. Through these developments, we achieved the continuous optimization of our business structure. Our revenue from non-tower business accounted for 5.7% of total operating revenue, up by 2.1 percentage points over the same period last year. As of 30 June 2019, we managed a total of 1,954 thousand tower sites[4], representing an increase of 4.0% over the same period last year. The total number of tower tenants[4] increased by 11.8% over the same period last year to 3,082 thousand. Average tenants per tower site[4] increased to 1.58 from 1.55 at the end of 2018, showing further improvement in the level of site co-location.

Note 1 EBITDA margin is calculated by dividing EBITDA by operating revenue, and multiplying the resulting value by 100%.

Note 2 The comparable basis represents the comparison of certain financial information in the first half of 2019 and corresponding financial information in the same period of 2018 excluding the impact of the adoption of IFRS 16. See Note 2 of "Group Results" and "Financial Overview-Other Matter". This applies to all "the comparable basis" calculation throughout this Announcement.

Note 3 Gearing ratio is calculated as net debt divided by the sum of total equity and net debt, then multiplied by 100%. Net debt is calculated as the amount of interest-bearing liabilities minus the amount of cash and cash equivalents.

Note 4 DAS business was not taken into consideration when counting the number of tower sites, number of tower tenants and average tenants per tower site.

Note 5 The financial information mentioned in this statement is prepared based on the consolidated financial information.

- ***Sharing Strategy Reinforces our Strong Leadership in the TSP Market***

  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 have adopted an innovative construction model, continued to optimize sharing of existing resources while stepping up our efforts to acquire and utilize social resources, and promoted the implementation of integrated wireless communications coverage solutions. The measures that we have taken have met substantial demand from TSPs, reduced construction costs and continued to enhance our core competitiveness. In the first half of 2019, more than 80% of new tenancy demand from the three TSPs was satisfied through co-location. We achieved a net addition of 94 thousand TSP tower tenants, bringing the total to 2,931 thousand TSP tower tenants as of the end of June 2019. The tower business recorded revenue of RMB35,808 million, representing an increase of 5.1% over the same period last year.

  With regard to the DAS business, we have striven to deploy diverse construction solutions to satisfy demand from TSPs and boosted the growth of our DAS business. By the end of June 2019, we had covered buildings with a cumulative area of approximately 1,910 million square meters, with an additional coverage of approximately 450 million square meters. We had also covered subways and high-speed railways with cumulative length of approximately 3,110 kilometers and 18,218 kilometers respectively, with additional coverage of approximately 223 kilometers and 527 kilometers respectively. Our DAS revenue for the first half of 2019 amounted to RMB1,254 million, representing an increase of 52.2% over the same period last year.

- ***Focus on key sectors and drive to develop the Two Wings into New Drivers of Growth***

  To strengthen our multi-stream revenue structure to achieve business growth, we set up 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) in June 2019 to accelerate the development of our Two Wings businesses.

  The TSSAI business maintained fast and healthy growth. In response to the booming demand for the application of informatization across society, we leveraged sharing of sites and social resources to broaden our service sectors and scope, from site resource services to higher value-added integrated information services, and launched three brands, Smart Sharing, Smart Connection and Smart Monitoring (智享、智聯、智控). We focused on developing key sectors and key customers, and made progress in launching pilot projects in areas such as ecological and environmental conservation, emergency response and satellite positioning in China to drive high-quality growth of TSSAI business. In the first half of 2019, the TSSAI business generated revenue of RMB843 million, up by 125.4% over the same period last year.

  The energy operation business started rapidly. In view of the demand across society for reliable energy services and leveraging on our experience in ensuring base station power supply and battery power backup, we expanded our sharing philosophy to energy related services, and proactively explored and formulated plans to scale up our energy business for society-wide operations. We have commenced pilot projects in some areas on power backup and battery exchange, gaining valuable experience in forming a sound business model and product portfolio for the business.

* *For identification purpose only*

Corporate Governance and Social Responsibility

In the first half of 2019, we implemented the restricted share incentive scheme and granted a total of approximately 1.21 billion H shares to our core management team and key technical personnel for the first time. The long-term effective incentive and restraint mechanism aligns the interests of shareholders, the Company and the employees as a whole. The Company has remained committed to establishing sound governance systems and placed great emphasis on risk prevention and management to ensure sound corporate governance and safeguard the healthy and sustainable development of the Company.

As a telecommunications infrastructure service provider, the Company upholds the need to promote innovative, coordinated, green, open and shared development. We have fulfilled our corporate social responsibilities in such areas as ensuring the effective use of investment and resources within the industry, carrying out emergency communications missions, promoting energy saving and reducing emissions, contributing to the targeted alleviation of poverty, and narrowing the information divide. We have gained wide recognition for our efforts.

Outlook for the Second Half of 2019

China's information consumption is experiencing continued growth and upgrade. There is an emerging trend of informatization across society and an explosive expansion of data traffic. Following the official issue of 5G commercial licences, mobile communications networks are developing towards 5G with broadening demand in the market, which will bring valuable opportunities for the Company. Looking ahead, we will ride on the back of the development in areas such as in-depth 4G network coverage, continued construction of 5G network and the Internet of Things to accelerate our progress towards further high-quality, efficient and sustainable development.

- ***Strengthening Core Competency and Maintaining Steady Growth in the TSP Business***

  Leveraging our advantages in resources, we will continue to pursue our sharing strategy, maintaining a clear focus on customers' needs. We will strengthen our ability to acquire site resources, integrating them with our existing and social resources to further increase co-location efficiency and reduce construction costs. This will create a win-win situation within the industry. We will also sharpen our market mindset and focus on enhancing our competitiveness by proactively going to market. Our aim will be to drive the comprehensive implementation of our integrated wireless communications coverage solutions so as to satisfy the overall needs of both 4G and 5G customers.

- ***Leveraging our Resources for a Breakthrough in Two Wings***

  We will further unleash the potential of our resources and capabilities, and expand our sharing philosophy from within the industry to the social level, driving the rapid scaling of the Two Wings businesses. In the TSSAI business, we will focus on key businesses and sectors, accelerate the research, development and marketing of standardized products, and launch products on a large scale in key sectors across the country. By taking these measures, we will strive to enhance our core competitiveness in TSSAI business. In our energy operation business, we will leverage upon our professional operational procedures to explore commercialization models and develop comprehensive product portfolios. We will expedite business development in target markets to drive rapid scaling of the business.

- ***Accelerating Innovation to Enhance the Quality of Operations and Management***

  We strongly believe in innovation-driven development to continuously enhance the quality of operations and management. In response to the 5G and communications technology revolution, we will relentlessly drive business and technological innovation, particularly in key areas such as 5G DAS sharing and 5G power supply, in order to enhance the cost-effectiveness of the 5G rollout. By making use of information technology, we will maintain a flat organizational structure and continue to adopt data and Internet technology to achieve centralized, high-efficiency operations and delicacy management. We will continue to improve our incentive schemes to create enthusiasm, vitality and a stronger sense of belonging among our employees, while aligning the interests of the Company with those of its shareholders and employees.

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

Tong Jilu
Chairman

Hong Kong, 7 August 2019

GROUP RESULTS

The board of directors (the "**Board**") of China Tower Corporation Limited (the "**Company**", together with its subsidiaries, the "**Group**") announces the unaudited consolidated results of the Group for the six months ended 30 June 2019.

Unaudited Interim Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2019
(Expressed in Renminbi ("**RMB**"))

	Note	Unaudited Six months ended 30 June **2019** *RMB million*	2018 *RMB million*
Operating revenue	*4*	**37,980**	35,335
Operating expenses			
Depreciation and amortisation	*11*	**(22,189)**	(16,147)
Site operating lease charges		**(578)**	(6,021)
Repairs and maintenance		**(3,095)**	(2,990)
Employee benefits and expenses		**(3,058)**	(2,478)
Other operating expenses		**(3,434)**	(2,939)
		(32,354)	(30,575)
Operating profit		**5,626**	4,760
Other gains		**37**	28
Interest income		**20**	65
Finance costs		**(2,349)**	(3,268)
Profit before taxation		**3,334**	1,585
Income tax expenses	*5*	**(786)**	(375)
Profit for the period		**2,548**	1,210
Profit attributable to:			
Owners of the Company		**2,548**	1,210
Non-controlling interests		**–**	–
Other comprehensive income, net of tax		**–**	–
Total comprehensive income for the period		**2,548**	1,210
Total comprehensive income attributable to:			
Owners of the Company		**2,548**	1,210
Non-controlling interests		**–**	–
		2,548	1,210
Basic and diluted earnings per share (in RMB Yuan)			
Basic/diluted	*6*	**0.0145**	0.0094

Note: The Group has initially applied IFRS 16 on 1 January 2019. Under the simplified transition approach chosen, comparative information is not restated, see Note 2.

Unaudited Interim Condensed Consolidated Balance Sheet
As at 30 June 2019
(Expressed in RMB)

	Note	**Unaudited As at 30 June 2019** ***RMB million***	Audited As at 31 December 2018 *RMB million*
Assets			
Non-current assets			
Property, plant and equipment		**241,881**	249,055
Right-of-use assets	*11*	**35,887**	–
Construction in progress		**10,403**	12,193
Deferred income tax assets		**1,377**	706
Long-term prepayments	*11*	**–**	13,216
Other non-current assets		**7,850**	8,395
		297,398	283,565
Current assets			
Trade and other receivables	*8*	**26,726**	19,158
Prepayments and other current assets		**9,438**	7,805
Cash and cash equivalents		**2,766**	4,836
		38,930	31,799
Total assets		**336,328**	315,364
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital		**176,008**	176,008
Reserves		**5,123**	4,494
Total equity attributable to owners of the Company		**181,131**	180,502
Non-controlling interests		**2**	–
Total equity		**181,133**	180,502

Unaudited Interim Condensed Consolidated Balance Sheet (Continued)
As at 30 June 2019
(Expressed in RMB)

	Note	**Unaudited As at 30 June 2019** *RMB million*	Audited As at 31 December 2018 *RMB million*
Liabilities			
Non-current liabilities			
Borrowings		**17,580**	19,064
Lease liabilities	*11*	**17,898**	–
Deferred revenue		**910**	1,039
		36,388	20,103
Current liabilities			
Borrowings		**78,138**	79,946
Lease liabilities	*11*	**6,920**	–
Deferred consideration payables		**–**	382
Accounts payable	*9*	**28,462**	30,591
Accrued expenses and other payables		**4,694**	3,263
Current income tax payable		**593**	577
		118,807	114,759
Total liabilities		**155,195**	134,862
Total equity and liabilities		**336,328**	315,364

Note: The Group has initially applied IFRS 16 on 1 January 2019. Under the simplified transition approach chosen, comparative information is not restated, see Note 2.

Notes to Unaudited Interim Condensed Financial Information
(Expressed in RMB unless otherwise indicated)

1 Basis of preparation

This unaudited interim condensed financial information for the six months ended 30 June 2019 has been prepared in accordance with International Accounting Standard ("**IAS**") 34, "Interim financial reporting", issued by the International Accounting Standards Board ("**IASB**").

The unaudited interim condensed financial information of the Group does not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("**IFRSs**") issued by IASB, and should be read in conjunction with the audited consolidated financial statements of the Group for the year ended 31 December 2018. The Group's policies on financial risk management were set out in the audited financial statements of the Group for the year ended 31 December 2018 and there have been no significant changes in the financial risk management policies for the six months ended 30 June 2019.

The interim condensed financial information is unaudited, but has been reviewed by the Company's audit committee. The interim condensed financial information has also been reviewed by the Company's independent auditor, PricewaterhouseCoopers ("**PwC**"), in accordance with International Standards on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

1.1 Going concern

At 30 June 2019, the Group's current liabilities exceeded its current assets by RMB79,877 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 expenditure, 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 RMB109,806 million as at 30 June 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 30 June 2019. Accordingly, the unaudited interim condensed financial information has been prepared on the basis that the Group will continue as a going concern.

2 Significant accounting policies

New or amendments to IFRS effective for the financial year beginning on 1 January 2019 do not have a material impact on the Group's unaudited interim condensed financial information, except for the IFRS 16, "Leases" ("**IFRS 16**"), details of which are set out in below. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(a) Adjustments recognised on the adoption of IFRS 16

The Group has adopted the IFRS 16 from 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.

On the adoption of IFRS 16, the Group recognizes right-of-use assets and lease liabilities for almost all leases 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.

As a result of adoption of IFRS 16, as at 1 January 2019, the Group recognized right-of-use assets of RMB36,112 million (including land use rights and prepayments for site ground lease in a total amount of RMB13,216 million, which previously recorded as "Long-term prepayments" as at 31 December 2018), lease liabilities of RMB24,562 million and deferred tax assets RMB385 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.

(b) The Group's leasing activities and how these are accounted for

As lessee:

The Group leases land and buildings and others. Rental contracts are generally made for periods of 3 to 10 years. 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.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group, unless the underlying asset is of low value or they are short-term leases. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to 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 right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), less any lease incentives receivable.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of office furniture and equipment.

In addition, upon the adoption of IFRS 16, principal elements of lease payments and related interest portion have been classified within financing activities.

As lessor:

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.

3 Segment reporting

The executive directors and senior management, as a decision making group, is the Group's chief operating decision-maker ("**CODM**"). The Group has determined the operating segments based on the information reviewed by the CODMs for the purposes of allocating resources and assessing performance. For the periods presented, the Group as a whole is an operating segment since the Group is only engaged in the telecommunications tower infrastructure services and related businesses.

Substantially, the Group's long-lived assets are located in the mainland China and all the Group's revenues and operating profits are derived from the mainland China during the period.

4 Operating revenue

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

	Unaudited Six months ended 30 June	
	2019	2018
	RMB million	*RMB million*
Tower business *(Note (i))*	**35,808**	34,064
DAS business	**1,254**	824
TSSAI business	**843**	374
Others	**75**	73
	37,980	35,335

Note:

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

	Unaudited Six months ended 30 June	
	2019	2018
	RMB million	*RMB million*
Revenue from the provision of Site Space	**30,280**	28,614
Revenue from Services*	**5,528**	5,450
	35,808	34,064

* 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 revenue of the Group are listed as below:

	Unaudited Six months ended 30 June	
	2019	2018
	RMB million	*RMB million*
China Mobile Company and its subsidiaries	**20,101**	19,330
China Unicom Corporation	**8,243**	7,919
China Telecom	**8,851**	7,774
	37,195	35,023

For the six months ended 30 June 2019, the revenue generated from above three TSPs accounted for 97.9% of the total revenue (for the six months ended 30 June 2018: 99.1%).

5 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 statement of comprehensive income represents:

	Unaudited Six months ended 30 June	
	2019	2018
	RMB million	*RMB million*
Current tax		
Current tax on estimated taxable profits for the period	**1,382**	291
Deferred tax		
Origination or reversal of temporary differences	**(596)**	84
Income tax expenses	**786**	375

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:

	Unaudited Six months ended 30 June	
	2019	2018
	RMB million	*RMB million*
Profit before taxation	**3,334**	1,585
Tax at PRC statutory tax rate of 25%	**834**	396
Rate differential of certain provincial branches of the Group *(Note)*	**(50)**	(23)
Tax effect of non-deductible expenses	**2**	2
Income tax expenses	**786**	375

Note:

The provision for the PRC enterprise income tax is based on the statutory tax rate of 25% on the estimated taxable profits determined in accordance with the relevant income tax rules and regulations of the PRC for the six months ended 30 June 2019 (for the six months ended 30 June 2018: 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 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.

6 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.

	Unaudited Six months ended 30 June	
	2019	2018
Profit attributable to owners of the Company (in RMB million)	**2,548**	1,210
The weighted average number of ordinary shares (million):		
Issued ordinary shares at 1 January	**176,008**	129,345
Effect of shares under restricted share incentive scheme purchase *(Note 10)*	**(14)**	–
Weighted average number of ordinary shares in issue	**175,994**	129,345
Basic earnings per share (in RMB Yuan)	**0.0145**	0.0094

(b) Diluted

For the six months ended 30 June 2019, diluted earnings per share was equal to basic earnings per share as the potential ordinary shares due to the restricted share incentive scheme adopted by the Group was anti-dilutive during this period (For the six months ended 30 June 2018: there were no potential dilutive ordinary shares).

7 Dividends

At the AGM on 18 April 2019, the shareholders of the Company approved the payment of a final dividend of RMB0.00225 per share (equivalent to HK$0.002628 per share) (pre-tax) for the year ended 31 December 2018 totalling approximately RMB396 million, which has been reflected as a reduction of retained earnings and fully paid by the Company for the six months ended 30 June 2019.

The Board has resolved that no interim dividend is declared for the six months ended 30 June 2019.

8 Trade and other receivables

	Unaudited As at 30 June 2019 ***RMB million***	Audited As at 31 December 2018 *RMB million*
Trade receivables – net *(Note(a))*	**20,575**	13,534
Deposits *(Note (b)(i))*	**642**	682
Payments on behalf of customers *(Note (b)(ii))*	**5,506**	4,941
Others	**3**	1
Other receivables	**6,151**	5,624
Trade and other receivables	**26,726**	19,158

As at 30 June 2019 and 31 December 2018, trade and other receivables were primarily denominated in RMB and their carrying amounts approximated their fair values.

Note:

(a) Trade receivables

(i) Aging analysis of the Group's gross trade receivables based on the billing, net of allowance for impairment loss, at the respective balance sheet dates are as follows:

	Unaudited As at 30 June 2019 ***RMB million***	Audited As at 31 December 2018 *RMB million*
Up to 3 months	**16,293**	13,303
3 to 6 months	**3,971**	102
Over 6 months	**311**	129
	20,575	13,534

Trade receivables primarily comprise receivables from the three TSPs. Other third-party customers are mainly local government authorities, state-owned companies and other enterprises. Customers with balances that are overdue or exceed credit limits are generally required to settle all outstanding balances before any further services can be provided.

The Group reassess expected credit loss of certain customers or relevant groups based on current condition as well as reasonable forecasts of future economic conditions from time to time, an impairment loss provision related to the addition of lifetime expected credit losses would be immediately provided and recorded to profit and loss after there has been a significant increase the expected credit losses of corresponding receivables from initial recognition.

(ii) Trade receivables are analysed by customers:

	Unaudited As at 30 June 2019 ***RMB million***	Audited As at 31 December 2018 *RMB million*
China Mobile Group and its subsidiaries	**12,255**	7,580
China Unicom Corporation	**3,109**	2,380
China Telecom	**4,353**	2,888
Others	**858**	686
	20,575	13,534

(b) Other receivables

(i) Deposits primarily include deposits for site ground lease, office premises lease, buildings 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 third parties 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. Customers will usually settle the amounts with the Group within 1-3 months. Due to the financial strength, reputation and good credit history of these customers, management considers that the expected credit loss is immaterial, no provision for impaired receivables has been made for these receivables for the six months ended 30 June 2019 and the year ended 31 December 2018.

9 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:

	Unaudited As at 30 June 2019 ***RMB million***	Audited As at 31 December 2018 *RMB million*
Less than six months	**19,129**	25,722
Six months to one year	**7,761**	3,560
More than one year	**1,572**	1,309
	28,462	30,591

10 Restricted share incentives scheme

The Company adopted a restricted share incentives scheme (the "**Scheme**") on 18 April 2019. Pursuant to the Scheme, the Company may grant restricted shares to qualified Scheme participants, subject to the fulfilment of certain performance conditions by the Group and by Scheme participants for both the grant and unlocking of restricted shares.

The grant price of the restricted shares shall be no less than 50% of the grant reference price. The pricing grant reference price shall be the higher of (i) closing price of the H shares of the Company on grant date and (ii) average closing price of the H shares for the 5 trading days immediately preceding the grant date. For each grant, the lock up period is 24 months commencing from the grant date, followed by an unlocking period of 24 months to 60 months (in the three periods/tranches, each for 12 months) after the grant of the restricted shares. Before unlocking of restricted shares, these shares are not transferrable, nor subject to any guarantee or indemnity. Upon the expiry of the lock up period, the restricted shares shall be unlocked separately in the three tranches in proportion of 40%, 30% and 30% of the total number of the restricted shares granted if the conditions for unlocking as required by the Scheme are satisfied during the unlocking period.

A trustee was appointed to purchase certain number of H shares from the secondary market for the Scheme as instructed by the Board.

On 18 April 2019 (the "**Grant Date**"), the Board has approved the initial grant of the restricted shares under the Scheme as the conditions for the grant were fulfilled. Pursuant to the Scheme, 1,212 million restricted shares in aggregate of the Company would be granted in two tranches where the first tranche of restricted shares in amount of 1,112 million shares were granted to the qualified Scheme participants on the Grant Date (the "**First Tranche of Grant**"), the residual 100 million shares were reserved for further grant in the second tranche. The grant price of each restricted share was RMB1.03 for the First Tranche of Grant according to the Scheme.

The fair value of restricted shares granted to employees under the Scheme is recognised as an expense over the vesting period when employee services received, with a corresponding credit to equity. The fair value of the restricted shares granted under the Scheme was RMB0.85 per share as determined based on the difference between grant price and the market price of the Company's H Shares on the Grant Date.

	Fair Value (per share) *(RMB)*	**Number of Restricted Shares Granted** *(Million)*
As at 1 January 2019	–	–
Granted	0.85	1,112
Forfeited	0.85	(3)
As at 30 June 2019	0.85	1,109

For the six months ended 30 June 2019, share-based compensation of RMB72 million arising from the Scheme were recognised in profit and loss, with a corresponding credit to the equity of the Group.

11 Lease

	Unaudited As at 30 June 2019 *RMB million*	Unaudited As at 1 January 2019 *RMB million*
(i) The interim condensed consolidated balance sheets show the following amounts relating to leases:		
Right-of-use assets *(Note)*		
– Buildings and sites	**34,966**	35,236
– Land use right	**921**	876
	35,887	36,112
Lease Liabilities		
– Current	**6,920**	2,970
– Non-current	**17,898**	21,592
	24,818	24,562

	Unaudited Six months ended 30 June	
	2019 *RMB million*	2018 *RMB million*
(ii) The interim condensed consolidated statement of comprehensive income show the following amounts relating to leases:		
Depreciation charge of right-of-use assets	**5,323**	–
Interest expense	**623**	–
Expense relating to short-term leases and lower value asset leases	**664**	–
– Site operating lease charges	**578**	–
– Others	**86**	–

Note:

Right-of-use assets include prepayments for site ground lease and land use rights of tower sites, which were previously recorded as "long-term prepayments" on 31 December 2018, and reclassified to right-of-use assets on 1 January 2019 upon the adoption of IFRS 16.

FINANCIAL OVERVIEW

Operating Revenue

The Group insisted on creating value by applying the sharing philosophy, which enabled the Group to enhance the quality of development by fully leveraging its advantages in resources. The Group's revenue maintained a stable growth in the first half of 2019, recording an operating revenue of RMB37,980 million, up by 7.5% over the same period last year, of which revenue from tower business reached RMB35,808 million, up by 5.1% over the same period last year; revenue from DAS business reached RMB1,254 million, up by 52.2% over the same period last year; and revenue from TSSAI business reached RMB843 million, up by 125.4% over the same period last year. The revenue from non-tower business accounted for 5.7% of the total operating revenue in the first half of 2019, representing an increase from 3.6% in the same period last year.

Operating Expenses

The Group further enhanced its operating and service efficiency by reinforcing delicacy management of individual sites, while reducing costs by referencing to benchmarks. In the first half of 2019, the operating expenses were RMB32,354 million, up by 5.8% over the same period last year. On the comparable basis, the operating expenses were up by 7.5% over the same period last year. The breakdown is as follows:

- ***Depreciation and amortization***

  The Group continued to implement the transformation of its construction model. Leveraging the integrated wireless communications coverage solutions and a better-coordinated utilization of existing and social resources, the Group provided sound service to customers and satisfy their construction needs in a high-efficiency and low-cost manner. In the first half of 2019, due to the increase of depreciation expenses in new sites, the Group's depreciation and amortization were RMB22,189 million, up by 37.4% over the same period last year. On the comparable basis, depreciation and amortization were up by 4.6% over the same period last year.

- ***Site operating lease charges***

  The Group effectively controlled the increase of site operating lease charges by actively collaborating with external parties to seek site resources at low costs, and at the same time, continuously enhancing the level of site co-location. In the first half of 2019, the Group's site operating lease charges were RMB578 million, down by 90.4% over the same period last year. On the comparable basis, site operating lease charges were up by 3.5% over the same period last year.

- ***Repair and maintenance expenses***

  The Group continued to enhance its professional maintenance capability and improve its service quality and efficiency through deploying an Internet-based smart monitoring system and a centralized and efficient operation model. With an increase in the number of sites, repair and maintenance expenses were RMB3,095 million in the first half of 2019, up by 3.5% over the same period last year.

- ***Employee benefits and expenses***

  In the first half of 2019, employee benefits and expenses amounted to RMB3,058 million, up by RMB580 million over the same period last year, mainly because the Group continues to recruit outstanding industry talents to fulfill its business development and expansion needs. Meanwhile, the Group adopted a restricted share incentive scheme for the core management team and key technical personnel.

- ***Other operating expenses***

  In the first half of 2019, other operating expenses were RMB3,434 million, representing an increase of RMB495 million over the same period last year, mainly due to an increase in TSSAI business expenses and recognition of allowance for credit losses in a prudent manner.

Finance Costs

Due to a decrease in comprehensive finance costs and decline in average balance of interest-bearing liabilities, finance costs reduced to RMB2,349 million in the first half of 2019, down by 28.1% over the same period last year. On the comparable basis, finance costs were down by 47.2% over the same period last year.

Profitability

In the first half of 2019, the Group's operating profit reached RMB5,626 million; the profit for the period reached RMB2,548 million, up by 110.6% over the same period last year; EBITDA was RMB27,815 million, increased by 33.0% over the same period last year, representing 73.2% of operating revenue. On the comparable basis, EBITDA increased by 5.3% over the same period last year, representing 58.0% of operating revenue.

Capital Expenditure and Cash Flow

In the first half of 2019, the Group's capital expenditure was RMB8,906 million, net cash generated from operating activities was RMB20,798 million, and free cash flow was RMB11,892 million.

Balance Sheet Status

As at 30 June 2019, the Group's total assets were RMB336,328 million, total liabilities were RMB155,195 million and net debts were RMB117,770 million. The gearing ratio decreased from 39.9% at the beginning of this year to 39.4% at the end of the period.

Other Matter

The Group applied IFRS 16 for the year beginning on 1 January 2019. According to IFRS 16, the Group, as a lessee, recognized lease liabilities that reflected future lease payments and right-of-use assets on the balance sheet (except for underlying assets that are of low value or short-term leases). In the meantime, depreciation and amortization expenses related to right-of-use assets and finance costs related to lease liabilities are recognized instead of operating lease expenses, while cash payments of lease liabilities were incorporated in cash flows from financing activities instead of cash flows from operating activities. When applying IFRS 16, the Group adopted the simplified transition approach and did not restate comparative amounts for the year/period prior to first adoption, with the cumulative effect of initial adoption being recognized as an adjustment to the opening balance of retained earnings. As a result, comparative amounts for 2018 were not restated. In addition, long term prepayments for site ground lease and land use rights under "Long-term prepayments" are reclassified as right-of-use assets according to IFRS 16. Please refer to Note 2 of Notes to Unaudited Interim Condensed Financial Information aforementioned for details.

Use of Proceeds from IPO

On 8 August 2018, the Company completed its initial public offering ("**IPO**") with an issuance of 43,114,800,000 H shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") with the offer price of HK$1.26 per share. The proceeds from the IPO amounted to approximately HK$54,325 million. On 6 September 2018, 3,549,056,000 H shares were issued at the offer price of HK$1.26 per share upon the partial exercise of the over-allotment options with the proceeds in the amount of approximately HK$4,472 million.

Net proceeds from the new share issuance, after deduction of underwriting commissions and other relevant listing expenses, amounted to approximately HK$57,869 million, equivalent to RMB50,357 million. As at 30 June 2019, all proceeds from IPO have been fully used in accordance with the plans as disclosed in the section headed "Future Plans and Use of Proceeds – Use of Proceeds" of the Prospectus.

OTHER INFORMATION

Purchase, Sale or Redemption of the Company's Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 June 2019.

Audit Committee

The audit committee, together with the Company's management, reviewed the accounting principles and practices adopted by the Company and discussed financial reporting matters including the review of the Company's unaudited interim condensed financial information for the six months ended 30 June 2019.

Compliance with the Corporate Governance Code

The Company is committed to maintaining a high standard of corporate governance. For the six months ended 30 June 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 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, acts as the general manager of the Company. 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.

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 six months ended 30 June 2019.

Subsequent Events

On 26 July 2019, the Company issued super short-term commercial papers in the amount of RMB3,000 million with a maturity of 270 days in China's interbank bond market.

Contingent Liabilities

As at 30 June 2019, the Company had no contingent liabilities.

Material Legal Proceedings

For the six months ended 30 June 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.

Publication of Interim Results Announcement and Interim Report

This announcement is published on the Company's website at www.china-tower.com and the website of the Hong Kong Stock Exchange at www.hkexnews.hk. The 2019 interim report will be available on the websites of the Hong Kong Stock Exchange and the Company, 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

Hong Kong, 7 August 2019

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, Shao Guanglu and Zhang Zhiyong*
Independent non-executive directors	: *Su Li, Fan Cheng and Tse Yung Hoi*