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 2018 INTERIM RESULTS

Highlights

❖ Operating revenue was RMB35,335 million with a stable growth, up by 6.2%, of which
- Revenue from tower business was RMB34,064 million, up by 3.8%
- Revenue from indoor distributed antenna system ("**DAS**") business was RMB824 million, up by 94.3%
- Revenue from trans-sector site application and information ("**TSSAI**") business increased from RMB22 million (1H2017) to RMB374 million (1H2018)

❖ Profitability improved continuously; EBITDA* was RMB20,907 million; EBITDA margin* was 59.2%

❖ Profit increased rapidly; operating profit was RMB4,760 million, up by 15.9%; Profit attributable to the owners of the Company was RMB1,210 million, up by 8.0%

❖ Free cash flow* was RMB9,068 million which was improved significantly

❖ Total number of sites was 1.898 million; and total number of tenants reached 2.785 million. The tenancy ratio was 1.47 which showed that site co-location improved continuously

* EBITDA is the operating profit plus depreciation and amortization; EBITDA margin is calculated by dividing EBITDA by operating revenue, and multiplying the resulting value by 100%; Free cash flow is the net cash generated from operating activities minus the capital expenditures.

CHAIRMAN'S STATEMENT

Dear Shareholders,

China Tower Corporation Limited (the "**Company**" or "**we**") was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") on 8 August 2018. Our initial public offering proved a success, with the level of participation and investment from a great number of renowned domestic and international organizations providing a resounding vote of confidence by the capital markets in both our business model and our future prospects. On behalf of the board of directors of the Company (the "**Board**"), I want to express our heartfelt gratitude to our shareholders and the wider community for their support.

As the world's largest telecommunications tower infrastructure service provider, we continued to reinforce our commanding industry leadership in China and proactively expanded our business lines to diversify our revenue streams. We also increased our level of resources sharing and sophisticated management. Collectively, these aspects have helped us achieve encouraging financial results in the first half of 2018. Our operating revenue recorded stable growth, along with the promotion in operating efficiency and profitability, and our cash flows have been substantially improved. The Company is demonstrating a rapid and healthy growth trend.

1. FINANCIAL PERFORMANCE

In the first half of 2018, our revenue maintained a stable growth, recording operating revenue of RMB35,335 million, up by 6.2% over the same period last year. Operating profit(1) increased rapidly, and reached RMB4,760 million, up by 15.9% over the same period last year. Our net profit(2) was RMB1,210 million for this period, up by 8.0% over the same period last year, EBITDA(3) was RMB20,907 million and EBITDA margin increased from 58.8% for the year 2017 to 59.2% during this period, underscoring stronger profitability.

In the first half of 2018, our net cash flows from operations reached RMB17,173 million, and capital expenditures(4) amounted to RMB8,105 million. Our free cash flows have significantly improved and amounted to RMB9,068 million. As of 30 June 2018, our total assets amounted to RMB328,774 million and our gearing ratio(5) stood at a healthy and controllable level of 54.1%.

2. BUSINESS PERFORMANCE

Our tower business achieved stable growth in the first half of 2018 while DAS business, as well as TSSAI business expand rapidly. Such multiple driving forces has been developed to reinforce the business growth of the Company. While maintaining fast growth in overall revenue, we gradually diversified our revenue streams. Contribution to our operating revenue from other businesses including DAS business and TSSAI business increased to 3.6% from 1.4% for the same period last year. At the end of June 2018, we managed 1.898 million sites and served 2.785 million tenants. The tenancy ratio was 1.47, increased from 1.44 at the end of 2017, showing a continued improvement in site co-location efficiency.

(I) Adhered to sharing strategy, reinforced commanding industry leadership in tower business

Driven by a strong demand for deeper and broader 4G network coverage, our tower business recorded revenue of RMB34,064 million, representing an increase of 3.8% compared to the same period last year and accounting for 96.4% of our total operating revenue. The tower business remains our major source of revenue. By the end of June 2018, we had 1.879 million tower sites and 2.70 million tower tenants.

With the ongoing support of the government at all levels, as well as related sectors, we continued to implement our strategy of transforming public utility towers and poles into telecommunications towers. By doing so, we were able to include public resources such as utility poles, lamp poles and surveillance poles as we expanded our site resources. Through a more proactive approach to the sharing of existing and new site resources, we effectively fulfilled market demand while achieving reasonable savings in construction costs. By the end of June 2018, 71% of the new leases from the three telecommunications service providers in China (the "**Three TSPs**")[6] were served on a co-location basis, creating a significant positive impact on our overall performance.

(II) Improved ability to satisfy customers' demands, sped up the development of DAS business

We actively pursued DAS projects in commercial buildings, large venues, subways and high-speed railways, covering a cumulative length of more than 13,000 kilometers of high-speed railways and 1,900 kilometers of subways, as well as large venues with a cumulative area of more than one billion square meters. In the first half of 2018, our DAS business recorded revenue of RMB824 million, representing an increase of 94.3% compared to the same period last year, and its contribution to our total operating revenue increased to 2.3% from 1.3% for the same period last year.

(III) Leveraged site resources to expand TSSAI business

By leveraging our site resources across the country, stable power supplies, centralized maintenance platform and efficient communications, we promote the transformation of telecommunications towers into public utility towers and poles to provide a wide range of services to fulfil the specific needs of our customers across multiple sectors. Our service offerings covered more than 16 industry applications, including environmental monitoring, maritime surveillance, seismic monitoring and satellite ground signal enhancement. By the end of June 2018, we had 57 thousand TSSAI tenants, up from 19 thousand at the end of 2017. Our TSSAI business recorded revenue of RMB374 million, more than twice of the revenue for the full year of 2017.

There has been a growing trend for the Three TSPs to take a holistic approach service to coverage, combining macro cells and small cells, as well as indoor and outdoor network. In view of this, and as an extension of our resource-sharing and coordination strategy, we developed integrated wireless communications coverage solutions in order to further enhance our operations and service capacity.

3. CORPORATE GOVERNANCE AND SOCIAL RESPONSIBILITY

In the first half of 2018, we elected a new session of the Board and introduced independent directors who are well-known individuals with rich expertise and management experience in telecommunications, finance and business. The initiative improved our Board structure and corporate governance with sound mechanisms and due processes.

We have always placed great emphasis on fulfilling our social responsibility and contributing to our customers and the society. By extending communications infrastructure into rural areas and the western region of China, we helped narrow the information divide. Contributing to the national initiative of building a ‘Beautiful China’, we coordinated the construction of towers with the environment of cities. We are committed to green and low-carbon development by saving energy and reducing emissions. In response to the national strategy to develop new energy, we kicked off large-scale pilot schemes to expand the application of retired electric vehicle batteries. Our efforts to provide uninterrupted power supply and maintenance services to the Three TSPs and TSSAI customers and support emergency communications have also won us wide recognition from customers and the public.

4. OUTLOOK

Information and communications infrastructure is playing an increasingly strategic and pioneering role as China is developing into a ‘Cyber Power’ and is promoting to build a ‘Digital China’. At the same time, booming wireless Internet alongside rising information and communications consumption, as well as demand for wider and deeper 4G coverage and the promising prospects presented by the migration to 5G have all given rise to ample room for development for the Company. We are poised to capture these opportunities and feel confident about our future. We are committed to driving healthy and sustainable growth of the Company by accelerating our pace of development, promoting our resources-sharing strategy and enhancing our specialized management.

(I) Reinforce commanding industry leadership and realize sustainable growth

Anticipating the trend towards 5G network development, we will strengthen our ability to provide integrated wireless coverage solutions to reinforce our commanding leadership in tower business. We will coordinate our resources to satisfy the specific demands of the Three TSPs in network coverage, in order to rapidly advance our development in the DAS business. We will leverage our existing site resources and focus on providing tower and digital information services to key customers in major sectors so as to diversify our customer base and revenue structure, while nurturing new growth prospects.

(II) Promote resources-sharing strategy to create higher value

Our resources-sharing strategy will continue to help us maximize our advantages and enhance the level of co-location at our existing sites. At the same time, we will expand the scope of resources sharing from traditional tower sites to shelters and ancillary facilities, power, transmission and maintenance service, in order to generate more value from sharing. We will also promote social resources sharing by further securing support from all levels of government and coordinating the use of tens of millions of public utility towers and poles to meet market demand in a more cost-effective manner. We will continue to promote trans-sector sharing of resources. Following the development of the 'Internet of Everything', we will extend our tower services towards high-value integrated information services to identify opportunities for value enhancement.

(III) Implement sophisticated management to support effective operations

We will introduce innovative management models, operating mechanisms and information support to enhance our competency in sophisticated management, operations and services. We will continue to review and accurately assess the financial performance of individual site with an aim to enhance site efficiency and profitability. We will better manage our assets throughout their life cycle and perform precise operations to maximize their value. We will also introduce Internet-based management systems to enhance operating efficiency and support our fast-developing business.

With our shareholders' support, our close relationship with customers, a resources-sharing business model, valuable site resources, a clear strategic goal and a team of high-quality employees, we are confident that our Board, management team and all of our employees can work together to capture the development opportunities and diligently deliver outstanding business results for our shareholders, while creating value for society.

Finally, on behalf of the Board, I want to take this opportunity to thank our investors for their trust and support. I am grateful to all our shareholders, customers and members of our wider community for their long-standing support and thank all our employees for their hard work and dedication. I would also like to thank the first session of the Board, led by former Chairman Liu Aili, for the outstanding performance and enormous contribution it has made to the Company.

Tong Jilu
Chairman and General Manager

Beijing, China, 10 August 2018

Note:

1. Operating profit is the operating revenue minus the operating expenses.

2. Net Profit for the period refers to profit attributable to owners of the Company.

3. EBITDA represents profit for the period before finance costs, interest income, other gains, income tax, depreciation and amortisation. As the industry in which the Company operates sis capital intensive, capital expenditures and finance costs may heavily influence the Company's profit and that of other similarly situated companies. Therefore, the Company believes that EBITDA may be helpful in analysing the Company's results of operations and those of the Company's peers.

4. Capital expenditures represent the addition of the Company's property, plant and equipment, land use right and software that recorded in the Company's balance sheet.

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

6. The Three TSPs refer to China Mobile Communication Company Limited and its subsidiaries, China United Network Communications Corporation and China Telecom Corporation Limited.

COMPANY RESULTS

China Tower Corporation Limited (the "**Company**") is pleased to announce the unaudited interim condensed results of the Company for the six months ended 30 June 2018.

Unaudited Interim Condensed Statement of Comprehensive Income
For the six months ended 30 June 2018
(Expressed in Renminbi ("**RMB**"))

	Note	**Unaudited Six months ended 30 June 2018 RMB million**	Unaudited Six months ended 30 June 2017 RMB million
Operating revenue	4	**35,335**	33,272
Operating expenses			
Depreciation and amortisation		**(16,147)**	(15,799)
Site operating lease charges		**(6,021)**	(5,611)
Repairs and maintenance		**(2,990)**	(2,846)
Employee benefits and expenses		**(2,478)**	(2,176)
Other operating expenses		**(2,939)**	(2,732)
		(30,575)	(29,164)
Operating profit		**4,760**	4,108
Other gains		**28**	40
Interest income		**65**	42
Finance costs		**(3,268)**	(2,582)
Profit before taxation		**1,585**	1,608
Income tax expenses	5	**(375)**	(488)
Profit for the period and Profit attributable to the owners of the Company		**1,210**	1,120
Other comprehensive income, net of tax		**—**	—
Total comprehensive income for the period		**1,210**	1,120
Basic and diluted earnings per share (in RMB Yuan)			
Basic/diluted	6	**0.0094**	0.0087

Unaudited Interim Condensed Balance Sheet
As at 30 June 2018
(Expressed in RMB)

	Note	**Unaudited As at 30 June 2018 RMB million**	Audited As at 31 December 2017 RMB million
Assets			
Non-current assets			
Property, plant and equipment		**251,939**	258,138
Construction in progress		**8,630**	10,930
Long-term prepayments		**12,761**	9,910
Deferred income tax assets		**605**	689
Other non-current assets		**12,580**	12,459
		286,515	292,126
Current assets			
Inventories		**1**	28
Trade and other receivables	8	**19,386**	15,262
Prepayments and other current assets		**7,997**	7,375
Cash and cash equivalents		**14,875**	7,852
		42,259	30,517
Total assets		**328,774**	322,643
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital		**129,345**	129,345
Accumulated deficits		**(640)**	(1,850)
Total equity		**128,705**	127,495

Unaudited Interim Condensed Balance Sheet (Continued)
As at 30 June 2018
(Expressed in RMB)

	Note	**Unaudited As at 30 June 2018 RMB million**	Audited As at 31 December 2017 RMB million
Liabilities			
Non-current liabilities			
Borrowings		**52,060**	43,793
Deferred revenue		**1,170**	1,314
		53,230	45,107
Current liabilities			
Borrowings		**99,016**	95,260
Deferred consideration payables		**15,737**	17,252
Deferred revenue		**32**	29
Accounts payable	9	**28,370**	31,906
Accrued expenses and other payables		**3,277**	5,371
Current income tax payable		**407**	223
		146,839	150,041
Total liabilities		**200,069**	195,148
Total equity and liabilities		**328,774**	322,643

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 2018 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 should be read in conjunction with the audited financial information of the Company for the years ended 31 December 2015, 2016 and 2017 and three months ended 31 March 2018 as set out in the accountant's report (the "**Accountant's Report**") included in Appendix I to the prospectus of the Company in connection with the global offering of the Company's H Shares (the "**Global Offering**") dated 25 July 2018. The Company's policies on financial risk management were set out in the Accountant's Report and there have been no significant changes in the financial risk management policies for the six months ended 30 June 2018.

As approved by the board at the end of 2017, the estimated useful lives of the self-built ground telecommunications towers (the "**Self-built Towers**", excluding the towers acquired in the acquisition of tower assets in 2015) was adjusted from 10 years to 20 years starting from 1 January 2018. The Company accounted for this change of accounting estimates prospectively, and the depreciation expenses of the Company's Self-built Towers have decreased by RMB1,189 million for the six months ended 30 June 2018.

The unaudited interim condensed financial information does not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

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 2018, the Company's current liabilities exceeded its current assets by RMB104,580 million (31 December 2017: RMB119,524 million).

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

- The Company's continuous net cash inflows from operating activities;

- The available committed, unrestricted and unutilized revolving bank credit facilities of RMB159,945 million as at 30 June 2018; and

- The net proceeds from the Global Offering and other available sources of financing from domestic banks and other financial institutions.

Based on management's operating and financial plans, the directors of the Company are of the opinion that the Company has adequate funds to continue its operations and to repay its debts when they fall due, and thus concluded that the Company will be able to meet its obligations for the twelve months after 30 June 2018. Accordingly, the unaudited interim condensed financial information has been prepared on the basis that the Company will continue as a going concern.

2 Significant accounting policies

(a) New Standards and Amendments to Existing Standards Adopted by the Company

The accounting policies applied in the preparation of this unaudited interim condensed financial information are consistent with those used in the preparation of the audited financial information for the years ended 31 December 2015, 2016 and 2017 and three months ended 31 March 2018 as set out in the Accountant's Report.

The Company has already adopted IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" upon its first time adoption of IFRSs prior to 1 January 2018.

(b) *New Standards and Amendments to Existing Standards that have been Issued but are not yet effective and have not been early adopted by the Company*

The following new standards and amendments to existing standards have been issued and are mandatory for the Company's accounting periods beginning on or after 1 January 2019 or later periods, but the Company has not early adopted them:

New standards, amendments and interpretations		Published date	Effective date
IFRS 16	Leases	January 2016	Annual periods beginning on or after 1 January 2019
IFRS 17	Insurance contracts	February 2018	Annual periods beginning on or after 1 January 2021
IFRIC 23	Uncertainty over income tax treatments	June 2017	Annual periods beginning on or after 1 January 2019
IAS 19	'Employee benefits' on plan amendment, curtailment or settlement	February 2018	Annual periods beginning on or after 1 January 2019
Amendments to IFRS 10 and IAS 28	Sale or contribution assets between an investor and its associate or joint venture	September 2014	To be determined
Amendments to IFRS	Annual Improvements to IFRSs 2015–2017 Cycle	December 2017	Annual periods beginning on or after 1 January 2019
Amendment to IAS 28	Long term interests in associates and joint ventures	October 2017	Annual periods beginning on or after 1 January 2019
Amendment to IFRS 9	Prepayment features with negative compensation	October 2017	Annual periods beginning on or after 1 January 2019

None of the above new standards or amendments to IFRS is expected to have a significant effect on the financial information of the Company, except for the IFRS 16, "Leases".

The scopes, areas and approaches of the management's assessment of the impact of IFRS 16 were set out in the Accountant's Report. In order to adopt IFRS 16 by the mandatory effective date, the Company has started to upgrade the business processes and will continue to assess the impact on its financial statements. The Company expects that, as a lessor, there will be no significant impact of the adoption of IFRS 16 on its financial statements. As a lessee, given that the operating lease commitments account for over 10% of the total liabilities of the Company as at 30 June 2018 and the provision of the sub-lease arrangement, the Company expects that the adoption of IFRS 16 would result in a significant increase of the Company's assets and liabilities. The Company does not intend to adopt IFRS 16 before its mandatory effective date.

3 Segment reporting

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

All of the Company's long-lived assets are located in the mainland China and all the Company's revenues and operating profits are derived from the mainland China during the periods presented. Therefore, no geographical information has been disclosed.

4 Operating revenue

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

	Unaudited Six months ended 30 June	
	2018	2017
	RMB million	RMB million
Tower business (Note (i))	**34,064**	32,817
— Macro cell business	**33,888**	32,718
— Small cell business	**176**	99
DAS business	**824**	424
TSSAI business	**374**	22
Others	**73**	9
	35,335	33,272

Note:

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

	Unaudited Six months ended 30 June	
	2018	2017
	RMB million	RMB million
Revenue from the provision of Site Space	**28,614**	27,718
Revenue from Services*	**5,450**	5,099
	34,064	32,817

* Revenue from Services primarily comprises of Maintenance services revenue and Power services revenue.

For the six months ended 30 June 2018, the revenue generated from the Three TSPs accounted for 99.1% of the total revenue (for the six months ended 30 June 2017: 99.9%).

(ii) In early 2018, after negotiations on arm's length basis, the Company entered into a supplemental agreement (the "**Supplemental Agreement**") to commercial pricing agreements (the "**Commercial Pricing Agreements**") with each of the Three TSPs to amend certain pricing terms of the previous Commercial Pricing Agreements. The key amendments are the reduction of cost-plus margin and increase of co-location discount rates for Tower business. The Supplemental Agreement to the Commercial Pricing Agreements has a term of five years and expires on 31 December 2022. These amendments have replaced the related terms previously set out in the Commercial Pricing Agreements as disclosed in the Accountant's Report.

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	
	2018	2017
	RMB million	RMB million
Current tax		
Current tax on estimated taxable profits for the period	**291**	322
Deferred tax		
Origination or reversal of temporary differences	**84**	166
Income tax expenses	**375**	488

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 2018 (for the six months ended 30 June 2017: 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 Company obtained the approval in the first half year of 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 during the period.

	Unaudited Six months ended 30 June	
	2018	2017
Profit attributable to owners of the Company (in RMB million)	**1,210**	1,120
Weighted average number of ordinary shares in issue (million)	**129,345**	129,345
Basic earnings per share (in RMB Yuan)	**0.0094**	0.0087

(b) Diluted

During the six months ended 30 June 2018 and 2017, there were no potential dilutive ordinary shares and diluted earnings per share was equal to basic earnings per share.

7 Dividend

No dividend has been declared or paid during the six months ended 30 June 2018.

8 Trade and other receivables

	Unaudited As at 30 June 2018 RMB million	Audited As at 31 December 2017 RMB million
Trade receivables (Note (a))	**14,246**	10,926
Less: allowance for impairment of trade receivables	**—**	—
Trade receivables — net	**14,246**	10,926
Deposits (Note (b)(i))	**478**	689
Payments on behalf of customers (Note (b)(ii))	**4,654**	3,639
Others	**8**	8
Other receivables	**5,140**	4,336
Trade and other receivables	**19,386**	15,262

As at 30 June 2018 and 31 December 2017, trade and other receivables were primarily denominated in RMB and their carrying amounts approximated their fair values.

Note:

(a) Trade receivables

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

	Unaudited As at 30 June 2018 RMB million	Audited As at 31 December 2017 RMB million
Up to three months	**14,231**	10,926
Three to six months	**15**	—
	14,246	10,926

Trade receivables primarily comprise receivables from the Three TSPs. As at 30 June 2018, the trade receivables from the Three TSPs accounted for 98.0% of the total trade receivables (31 December 2017: 99.4%).

Trade receivables from customers are mainly due for payment within one to three months from the date of billing. Customers with balances that are overdue or exceed credit limits are required to settle all outstanding balances before any further services can be provided. As at 31 December 2017 and 30 June 2018, there was no trade receivable past due and impaired.

(b) Other receivables

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

(ii) Payments on behalf of customers mainly represent the payments made by the Company to third parties, on behalf of customers for certain sites electric power charges when the Company provides the services of power access to its customers and acting as an agent.

(c) Impairment

The Company applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for trade receivables and payments on behalf of customers. To measure the expected credit losses, these receivables have been grouped based on shared credit risk characteristics and the aging from billing.

As at 30 June 2018 and 31 December 2017, trade receivables and payments on behalf of customers with amounts that are individually significant have been separately assessed for impairment. The Company makes periodic assessments on the recoverability of these receivables based on the background and reputation of the customers, historical settlement records and past experience. Since there has not been any history of default payments by existing customers, so management considers that the expected credit loss is close to zero, and no provision for impaired receivables has been made during the periods presented.

As at 30 June 2018 and 31 December 2017, the above other receivables, rather than payments on behalf of customers were considered to have low credit risks. Based on management assessment, no impairment provision has been made in the periods presented.

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 2018 RMB million	Audited As at 31 December 2017 RMB million
Less than six months	**24,052**	27,898
Six months to one year	**3,068**	2,690
More than one year	**1,250**	1,318
	28,370	31,906

FINANCIAL OVERVIEW

Operating Revenue

The Company insists on business growth by applying the "sharing" philosophy, continuously deepens the site co-location within the telecommunications tower infrastructure industry and further expands market opportunities by providing diversified services to customers in different industries. The Company's revenue maintained a stable growth in the first half of 2018, recording operating revenue of RMB35,335 million, up by 6.2% over the same period last year, of which revenue from tower business reached RMB34,064 million, up by 3.8% over the same period last year; revenue from DAS business reached RMB824 million, up by 94.3% over the same period last year; revenue from TSSAI business increased rapidly to RMB374 million from RMB22 million in the same period last year. The revenue from non-tower business accounted for 3.6% of total operating revenue in the first half of 2018, increased from 1.4% of total operating revenue in the same period last year, representing that the model of revenue growth with multiple driving forces has been developed initially.

Operating Expenses

The Company's business and operation are continuously driven by innovation and services, and focus on improvement of comprehensive service capabilities. The Company achieved an efficient operation with lower costs through the individual site sophisticated management, "E-maintenance" model and countrywide centralized maintenance monitoring platform. In the first half of 2018, the operating expenses were RMB30,575 million, up by 4.8% over the same period last year, include:

- ***Depreciation and amortisation***

  The Company consistently improves the site co-location for newly constructed sites and actively addresses needs of network constructions from customers. In the first half of 2018, the Company's depreciation and amortisation were RMB16,147 million, up by 2.2% over the same period last year.

- ***Site operating lease charges***

  To effectively control site operating lease charges, the Company reinforces the management of renewal of site rental contracts by controlling the increase of rent rates and strives for the support from the government and other third parties in the low-cost site resources acquisition. With the increase in numbers of sites, the site operating lease charges were RMB6,021 million in the first half of 2018, up by 7.3% over the same period last year.

- ***Repair and maintenance***

  With the comprehensive coverage of the maintenance monitoring platform, the Company provides precise maintenance services and breakdown handling, and improves the efficiency of maintenance. In the first half of 2018, the repair and maintenance expenses were RMB2,990 million, up by 5.1% over the same period last year, primarily due to the increase of numbers of sites that put into use.

- ***Employee benefits and expenses***

  The Company continuously focuses on the improvement of the operation efficiency and the productivity by adhering to the principle of flat organization and maintaining an efficient and high-quality team of employees. In the first half of 2018, the employee benefits and expenses were RMB2,478 million, up by 13.9% over the same period last year, since the effect of the incremental labor cost in the second half of 2017 was carried forward to the first half of 2018 due to the Company's workforce expansion in 2017.

- ***Other operating expenses***

  Due to the increase in numbers of sites and tenants, as well as the coverage expansion of the power and environment monitoring devices (namely smart FSUs), the other operating expenses, such as power generation charges, site operation and support expenses and loss on disposal of property and equipment were RMB2,939 million, up by 7.6% over the same period last year.

Finance Costs

As impacted by the credit squeeze environment of the finance market, the comprehensive finance cost of the Company rose from last year. The finance costs reached RMB3,268 million in the first half of 2018, up by 26.6% over the same period last year.

Profitability

In the first half of 2018, due to the increase of revenue and the effective control of operating expenses, the Company's operating profit reached RMB4,760 million, up by 15.9% over the same period last year; the profit for this period was RMB1,210 million, up by 8.0% over the same period last year; EBITDA was RMB20,907 million, up by 5.0% over the same period last year; EBITDA margin increased to 59.2% in this period from 58.8% in 2017.

Capital Expenditure and Cash Flow

As 4G network construction slows down, the demand from telecommunications service providers decreased. In addition, the Company also promotes the transformation of the construction model to effectively control the construction cost and boost the Company's free cash flow by making extensive use of social resources as well as providing integrated service solutions for indoor and outdoor wireless communications coverage through a mix of macro cells and small cells. In the first half of 2018, the Company's net cash generated from operating activities was RMB17,173 million, the capital expenditure was RMB8,105 million and free cash flow was RMB9,068 million.

Balance Sheet Status

As at 30 June 2018, the balance of the Company's total assets were RMB328,774 million, net debts were RMB151,938 million, and gearing ratio was 54.1%.

OTHER INFORMATION

Purchase, Sale or Redemption of the Company's Securities

Throughout the period from 8 August 2018 (the "**Listing Date**", on which the H Shares of the Company were listed and commenced trading on the Hong Kong Stock Exchange) up to the date of this announcement, the Company has not purchased, sold or redeemed any of the Company's listed securities.

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 2018.

Compliance with the Corporate Governance Code

The Company is committed to maintaining a high standard of corporate governance. During the period from the Listing Date to the date of this announcement, 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. Mr. Tong Jilu ("**Mr. Tong**") is the chairman of the Board and the general manager of the Company.

In view of Mr. Tong's experience, personal profile and his roles in the Company, 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.

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.

As the Company was not listed on the Hong Kong Stock Exchange as of 30 June 2018, the Model Code was not applicable to the Company during the six months ended 30 June 2018. 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 throughout the period from the Listing Date up to the date of this announcement.

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 2018 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.

Subsequent Events

During the period for the six months ended 30 June 2018, the Company continued to proceed with the issuance of H Shares by way of an initial public offering and the listing of H Shares on the Main Board of the Hong Kong Stock Exchange. On 25 July 2018, the Company published and distributed the prospectus in relation to the Global Offering in Hong Kong. The total number of H Shares initially offered under the Global Offering of the Company was 43,114,800,000 shares (prior to the exercise of the over-allotment option) and the offer price was HK$1.26 per share. The joint representatives (on behalf of the international underwriters) may request the Company to issue up to an aggregate of no more than 6,467,220,000 additional H Shares by exercising the over-allotment option within 30 days from the last day for lodging of application under the Hong Kong public offering (being 31 July 2018). As at the date of this announcement, the over-allotment option has not been exercised.

On 8 August 2018, the H Shares of the Company were listed and commenced trading on the Hong Kong Stock Exchange under the stock code of 0788 (for details, please refer to the prospectus of the Company in relation to the Global Offering dated 25 July 2018).

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 and General Manager

Beijing, China, 10 August 2018

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

Executive director	*: Tong Jilu (Chairman of the Board and General Manager)*
Non-executive directors	*: Dong Xin, Shao Guanglu and Zhang Zhiyong*
Independent non-executive directors	*: Su Li, Fan Cheng and Tse Yung Hoi*