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 2023 INTERIM RESULTS

Financial Highlights

❖ Operating revenue maintained healthy growth, reaching RMB46,461 million, up by 2.2%, of which:

- Revenue from TSP business was RMB40,905 million, down by 1.1% over the same period last year, of which, revenue from tower business was RMB37,481 million, down by 2.9%; revenue from indoor distributed antenna system ("**DAS**") business was RMB3,424 million, up by 24.4%

- Revenue from Smart Tower business was RMB3,386 million, up by 31.0%

- Revenue from Energy business was RMB1,975 million, up by 38.5%

❖ Site co-location efficiency improved continuously; tower tenancy ratio increased from 1.74 at the end of 2022 to 1.77.

❖ Profitability enhanced constantly; EBITDA[2] was RMB32,021 million; profit attributable to owners of the Company was RMB4,841 million, up by 14.6%.

Note 1: The financial information mentioned in this announcement is prepared based on the consolidated financial information. The Company and its subsidiaries are collectively referred to as the Group.

Note 2: EBITDA is calculated by operating profit plus depreciation and amortization.

CHAIRMAN'S STATEMENT

Dear Shareholders,

In the first half of 2023, China Tower Corporation Limited (the "**Company**") continued to uphold its founding philosophy of resource sharing, and focused on the opportunities brought by the strategies of "Cyberpower", "Digital China", and "dual carbon" goals. We positioned the Company as a "world-class information and communications infrastructure service provider, a highly competitive information and new energy applications provider", and continued to deepen our "One Core and Two Wings" strategy. During this period, the Company's businesses have performed well, achieving steady and stable growth.

FINANCIAL PERFORMANCE

Our revenue grew steadily in the first half of 2023, reaching RMB46,461 million, an increase of 2.2% year-on-year. After excluding the impact of the Commercial Pricing Agreements, revenue increased by 6.2% on a comparable basis over the same period last year. EBITDA amounted to RMB32,021 million with an EBITDA margin[3] of 68.9%. Profit attributable to the owners of the Company was RMB4,841 million, up by 14.6% year-on-year, with a net profit margin of 10.4%, marking a further improvement in profitability.

In the first half of 2023, our net cash generated from operating activities amounted to RMB11,555 million, and capital expenditure was RMB12,822 million. As of 30 June 2023, our total assets amounted to RMB318,063 million, with interest-bearing liabilities of RMB92,223 million, with a gearing ratio[4] of 31.6%. Our financial position remained stable.

BUSINESS PERFORMANCE

During the first half of 2023, the Company continued to implement the "One Core and Two Wings" strategy. We strengthened an operating system that is professional, intensive, delicate, efficient and digitalized, with the aim of creating an enterprise centered around sharing, service, innovation, technology, and value creation. We focused on enhancing our core capabilities, resulting in steady growth in our telecommunications service provider ("**TSP**") business, while the development of the Smart Tower and Energy businesses continued to maintain strong momentum.

Core advantages drove steady progress in TSP business

5G network penetration and coverage in China continues to expand and we seized the opportunities this presented. By strengthening resource coordination and sharing and operational efficiencies, we were able to meet customer network construction needs in an intensive and effective manner. We steadily implemented the new phase of the Commercial Pricing Agreements with the TSPs. In the first half of 2023, the revenue from our TSP business was RMB40,905 million, a decrease of 1.1% compared to the same period last year; however, when the impact of the Commercial Pricing Agreements is excluded, revenue reached RMB42,762 million on a comparable basis, an increase of 3.4% year-on-year.

Note 3: EBITDA margin is calculated by dividing EBITDA by operating revenue, and multiplying the resulting value by 100%.

Note 4: Gearing ratio is calculated as net debts 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.

Tower business. Centering around 5G network construction, we harnessed policy support for unleashing and sharing of public and cross-sector resources. These initiatives have helped reduce the entry barrier and social costs of reinforcing our competitiveness in resource coordination. A higher level of sharing of existing site resources, wider use of social resources and more effort in promoting the adoption of our integrated wireless communications coverage solutions has enabled us to comprehensively satisfy customer demand for 5G construction. We completed approximately 325,000 5G construction demand in the first half of 2023, of which more than 95% were fulfilled by sharing existing resources. We proactively captured the increased demand for low-frequency network construction and for new construction arising from network optimization. As a result, the number of new projects increased rapidly, effectively supporting the stable growth of our Tower business. Leveraging thorough knowledge of the construction features of comprehensive 5G coverage, we continued to launch innovative low-cost construction solutions, products and services to satisfy customer demand in an economical and effective manner.

In the first half of 2023, our tower business revenue accounted for RMB37,481 million, down by 2.9% over the same period last year. After excluding the impact of the Commercial Pricing Agreements, our revenue reached RMB39,338 million on a comparable basis, an increase of 1.9% year-on-year. As of 30 June 2023, the Company was managing a total of 2.061 million tower sites, representing a net increase of 6,000 sites from the end of 2022. During the same period, we gained 61,000 new tenants, bringing the total number of TSP tenants to 3.423 million. Our TSP tenancy ratio increased from 1.65 at the end of 2022 to 1.67, showing a continuous increase in the level of site co-location.

DAS business. Our DAS business benefited from continued enhancements to design and quality management while leveraging the advantages of low cost, service quality, and low-energy consumption. We further integrated and better coordinated "resources + demands", fully leveraging unified site entry and coordinated construction, enabling us to expand 5G coverage in key industries such as education, cultural tourism, transportation, and healthcare, and to offer better service to support the newly established DAS market segments. Innovation in DAS products and comprehensive service solutions allowed us to provide customers with differentiated passive and active DAS sharing solutions, satisfying the demand for 5G upgrading of existing DAS. By further exploring shared value and expanding the scale of the business, we have consolidated DAS business as the "second engine" for development of our TSP business.

In the first half of 2023, our DAS business recorded revenue of RMB3,424 million, an increase of 24.4% compared to the same period last year. As of 30 June 2023, we had covered buildings with a cumulative area of 8,820 million square meters, up by 47.7% year-on-year, while the coverage in high-speed railway tunnels and subways totaled a cumulative length of 22,135 kilometers, an increase of 21.1% over the same period last year.

Forged capabilities to maintain strong growth of Two Wings business

To maximize new opportunities brought by the development of the "Digital Economy" and the "dual carbon" goals, we continued to enhance our innovative development capabilities, improve core competitiveness, and promote rapid growth of the Two Wings business. In the first half of 2023, the revenue of the Two Wings business reached RMB5,361 million and accounted for 11.5% of our overall operating revenue, an increase of 2.7 percentage points over the same period last year, further reinforcing the Company's multi-pillar structure for business development.

Smart Tower business. Our Smart Tower business took advantage of our mid-to high-point positions and continued to build digital towers. We fully leveraged our digital governance capabilities in fields such as farmland protection, forestry fire prevention, and the protection of the Yangtze River's ecosystem, which contributed to national strategies and major projects while concurrently promoting digital economic development. We continued to increase research and development investment in Smart Tower business to develop product leadership in five areas – platform, data, algorithm, application, and operation. We focused on seven industry applications, covering the smart management of forestry, straw burning, fishery, farmland, blue skies, reservoirs, and villages, accelerating product development to meet customers' specialization and customization requirements. We supported these product developments with customer service that deepened a "one-on-one, face-to-face, and round-the-clock" companion service system, helping us to understand better our customers, efficiently meet their requirements, and respond promptly to their needs.

In the first half of 2023, the Smart Tower business achieved revenue of RMB3,386 million, a year-on-year increase of 31.0%, of which RMB2,076 million or 61.3% was generated from Tower Monitoring business.

Energy business. We actively grasped the development opportunities in the field of new energy. Adhering to the principles of sharing and collaboration, we fully utilized the company's core strengths, such as abundant site resources, a visualizable and controllable monitoring platform, and specialized power maintenance and support service capabilities in the Energy business. We focused on key business segments such as battery exchange and power backup, exercising delicate operation, consolidating product, service, and platform advantages, building core competitiveness, and enhancing quality. For the **battery exchange business**, we utilized the advantages of our battery exchange networks and services, strengthened the consumer segment battery exchange market, while vigorously expanding our customer base in the business segment. As of 30 June 2023, we have attained a cumulative total of approximately 998,000 battery exchange users, with an increase of 96,000 from the end of 2022, further consolidating our leading position in the market for battery exchange for light electric vehicles. For the **power backup business**, we focused on key industries such as communications and finance by developing standardized backup power products, offering an integrated four-in-one solution covering power backup, power generation, monitoring and maintenance. This helped to drive the growth of the power backup business.

In the first half of 2023, the Energy business achieved revenue of RMB1,975 million, a year-on-year increase of 38.5%, of which the battery exchange business accounted for RMB982 million, with its contribution to the Energy business reaching 49.7%.

CORPORATE GOVERNANCE AND SOCIAL RESPONSIBILITY

We are committed to maintaining the highest levels of corporate governance. We strictly adhered to the rules and regulations governing listed companies, fulfilled information disclosure obligations and sought ways to improve governance mechanisms and systems. Risk management is a critical component and we closely integrated compliance with corporate development, improving internal controls and legal compliance systems. Together, these enhance overall risk management and safeguard the Company's healthy and sustainable development.

We have always focused on the harmonious coexistence of economic, social, and environmental developments and our actions on social responsibilities and obligations have earned recognition from our stakeholders. In the first half of 2023, we successfully completed major communication and network information security services, including for the National People's Congress, the Boao Forum for Asia, and the launch of the Shenzhou-16 spacecraft. We continued to improve the construction of telecommunication infrastructure in remote areas, helping TSPs to provide inclusive services, narrowing the digital divide and undertaking the responsibility and mission as a national team in communications infrastructure building. Green development is an important concept and we actively promoted major projects such as the "Infrastructure Co-built and Co-shared Project", "5G Base Station Energy-Saving Innovation Project", and "Smart Energy Service Project". Our work has contributed to the goals of carbon peaking and carbon neutrality, providing strong support for green, high-quality development.

OUTLOOK

In order to achieve the twin goals of high-quality development and creating enterprise value, in the second half of the year, the Company will continue to promote the principle of shared development, focus on the "One Core and Two Wings" strategy and continue to drive development centered around sharing, service, innovation, technology, and value creation. In doing so, we will build upon an operating system that is professional, intensive, delicate, efficient, and digitalized.

TSP business: We will seize opportunities presented by the implementation of co-built and co-shared policies, and utilize the advantages of policies implemented through the "Technical Standard for Mobile Communications Infrastructure Engineering of Buildings" to improve resource coordination, and efficiently meet customer demand. We will also focus closely on the needs of our customers by developing innovative service solutions, enhancing service capabilities, better promoting the implementation of integrated wireless communications coverage solutions, and continuously seeking to enhance customer experience. We will seize the opportunity of 5G indoor intensive coverage needs to promote the coordinated development of "dual-gigabit networks" in key venues, and strive to increase our market share in the new DAS market. At the same time, we will promote the application of innovative shared DAS products and actively explore the demand for upgrading existing DAS to accelerate the growth of the DAS business. By reinforcing the dual growth engines of "5G+DAS", we will continue to realize stable growth of our TSP business.

Smart Tower business: As part of the state initiative of developing world-class specialized enterprises, we will actively integrate our enterprise strength into the development strategies of "Digital China" and "Beautiful China". We will fully leverage the advantages of our mid-to high-point positions and edge computing resources, transform "telecommunication towers" into "digital towers," and "telecommunication shelters" into "digital shelters". We will focus on digital spatial governance, forging core capabilities in platform, algorithms, terminals, operations, and security with "tower + big data + AI", providing strong support for the modernization of the national governance system and capabilities, and strive to excel in the Smart Tower business.

Energy business: We will continue to deepen the consumer segment battery exchange market, vigorously expand logistics distribution and specialized network customers, increase user scale, optimize service systems, and consolidate our leading position in the light electric vehicle battery exchange market. We will actively explore opportunities in areas such as vehicle and battery integration, and shared electric bikes. We will gradually expand the scale of our low-speed charging business and expand the scope of the light electric vehicle mobility market. We will focus on key industry customers, promote standardized backup power products on a large scale, continuously optimize the core products of "power backup" and "monitoring+", enrich the comprehensive four-in-one solution that includes power backup, power generation, monitoring, and maintenance, continuously improve market competitiveness, and actively create an "energy butler" service model for our customers. This will help us specialize our Energy business.

In the future, the Company will continue to place technological innovation at the center of driving high-quality corporate development. We will build a strong enterprise through technology innovation in order to forge new development momentum. We will continue to increase research and development in key core technologies such as intelligent operations and maintenance, edge computing networks, video AI algorithms, mid-to high-point IoT, and energy interconnection, enhancing original innovation capabilities in key areas. We will optimize and improve the technological innovation system, increase research and development investment, enhance the overall efficiency of technological innovation, accelerate the transformation of technological achievements into practical productivity, and continue to enhance technological innovation capabilities. We will also respect our talent and advocate innovation, increase rewards and incentives, allowing the creativity and innovation of our technological talent to flourish to the fullest extent.

I would like to take this opportunity, on behalf of the board of directors (the "**Board**"), to extend a warm welcome to Mr. Tang Yongbo who has joined the Board as a new member. Mr. Tang has solid experience in management and operation, and he will be able to make significant contributions to the Board and the Company's development with his rich personal knowledge.

Finally, on behalf of the Board, I would like to express my heartfelt gratitude to all our shareholders, customers, and the general public for their support, and I sincerely thank all employees for their hard work and dedication.

Zhang Zhiyong
Chairman

Beijing, China, 3 August 2023

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 2023.

Unaudited Interim Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2023
(Expressed in Renminbi ("**RMB**"))

		Unaudited	
		Six months ended 30 June	
	Note	**2023**	2022
		RMB million	*RMB million*
Operating revenue	*4*	**46,461**	45,479
Operating expenses			
Depreciation and amortisation		**(24,607)**	(24,869)
Repairs and maintenance		**(3,559)**	(3,486)
Employee benefits and expenses		**(4,001)**	(3,778)
Site operation and support expenses		**(2,519)**	(2,507)
Other operating expenses		**(4,361)**	(3,750)
		(39,047)	(38,390)
Operating profit		**7,414**	7,089
Other income/gains, net		**283**	76
Interest income		**19**	5
Finance costs		**(1,361)**	(1,608)
Profit before taxation		**6,355**	5,562
Income tax expenses	*5*	**(1,514)**	(1,338)
Profit for the period		**4,841**	4,224
Profit attributable to:			
– Owners of the Company		**4,841**	4,224
– Non-controlling interests		**–**	–
Other comprehensive income, net of tax		**–**	–
Total comprehensive income for the period		**4,841**	4,224
Total comprehensive income attributable to:			
– Owners of the Company		**4,841**	4,224
– Non-controlling interests		**–**	–
		4,841	4,224
Basic and diluted earnings per share (in RMB Yuan)			
Basic/diluted	*6*	**0.0277**	0.0242

Unaudited Interim Consolidated Statement of Financial Position
As at 30 June 2023
(Expressed in RMB)

	Note	**Unaudited As at 30 June 2023** *RMB million*	Audited As at 31 December 2022 *RMB million*
Assets			
Non-current assets			
Property, plant and equipment		**203,667**	209,377
Right-of-use assets	*11*	**30,890**	31,578
Construction in progress		**11,503**	12,339
Deferred income tax assets		**2,337**	1,930
Other non-current assets		**838**	630
		249,235	255,854
Current assets			
Trade and other receivables	*8*	**63,665**	42,260
Prepayments and other current assets		**2,023**	2,329
Cash and cash equivalents		**3,140**	5,117
		68,828	49,706
Total assets		**318,063**	305,560
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital		**176,008**	176,008
Reserves		**16,771**	17,583
Total equity attributable to owners of the Company		**192,779**	193,591
Non-controlling interests		**–**	–
Total equity		**192,779**	193,591

Unaudited Interim Consolidated Statement of Financial Position (Continued)
As at 30 June 2023
(Expressed in RMB)

	Note	**Unaudited As at 30 June 2023** *RMB million*	Audited As at 31 December 2022 *RMB million*
Liabilities			
Non-current liabilities			
Borrowings		**49,513**	31,448
Lease liabilities	*11*	**14,543**	14,947
Deferred government grants		**363**	376
Employee benefit obligations		**40**	40
		64,459	46,811
Current liabilities			
Borrowings		**21,191**	25,597
Lease liabilities	*11*	**6,976**	7,127
Accounts payable	*9*	**26,566**	26,646
Accrued expenses and other payables		**5,860**	5,510
Current income tax payable		**232**	278
		60,825	65,158
Total liabilities		**125,284**	111,969
Total equity and liabilities		**318,063**	305,560

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

1. Basis of preparation

This unaudited interim financial report for the six months ended 30 June 2023 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 financial report 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 2022. The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period. 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 2022 and there have been no significant changes in the financial risk management policies for the six months ended 30 June 2023.

The interim financial report for the six months ended 30 June 2023 is unaudited, but has been reviewed by KPMG, in accordance with International Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity", issued by the International Auditing and Assurance Standards Board, whose unmodified review report is included in the interim report to be sent to shareholders.

2. Significant accounting policies

The Group has applied the following amendments to IFRSs issued by IASB to this interim financial report for the current accounting period:

- Amendments to IAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*

- Amendments to IAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*

None of these amendments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. Segment reporting

The executive directors and senior management, as a decision-making group has been identified as the Group's chief operating decision-maker (the "**CODM**"). The Group has determined the operating segments based on the information reviewed by the CODM for the purposes of allocating resources and assessing performance. The CODM review the performance from revenue stream prospective including Tower business, DAS business, Smart Tower business and Energy business. However, the CODM does not make the decision related to resource allocation or performance evaluation solely based on the revenue generated from the different business. Rather, the CODM review the Group's performance and budget as a whole. Therefore, the CODM conclude that the Group has one operating segment.

Substantially, the Group's long-lived assets are located in the mainland China and substantially all the Group's revenue and operating profit are mainly derived from the mainland China during the period.

4. Operating revenue

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

	Unaudited Six months ended 30 June	
	2023	2022
	RMB million	*RMB million*
Tower business *(Note (i))*	**37,481**	38,592
DAS business	**3,424**	2,753
Smart Tower business	**3,386**	2,584
Energy business	**1,975**	1,426
Others	**195**	124
	46,461	45,479

Note:

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

	Unaudited Six months ended 30 June	
	2023	2022
	RMB million	*RMB million*
Revenue from the provision of Site Space	**31,674**	32,813
Revenue from Services*	**5,807**	5,779
	37,481	38,592

* Revenue from Services primarily comprises Maintenance services revenue and Power services revenue that are accounted for under IFRS 15.

(ii) The Group's revenue is primarily generated from the three telecommunications service providers in China ("**Three TSPs**"), named as China Mobile Communications Group Co., Ltd. and all their subsidiaries ("**CMCC Group**"), China United Network Communications Group Company Limited and all their subsidiaries ("**CUC Group**"), and China Telecommunications Corporation and all their subsidiaries ("**CTC Group**").

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	
	2023	2022
	RMB million	*RMB million*
CMCC Group	**21,190**	21,817
CTC Group	**10,169**	10,359
CUC Group	**9,972**	9,495
	41,331	41,671

For the six months ended 30 June 2023, the revenue generated from the Three TSPs accounted for 89.0% of the total revenue (for the six months ended 30 June 2022: 91.6%).

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 consolidated statement of comprehensive income represents:

	Unaudited Six months ended 30 June	
	2023	2022
	RMB million	*RMB million*
Current tax		
Current tax on estimated taxable profits for the period	**1,920**	2,048
Deferred tax		
Origination of temporary differences	**(406)**	(710)
Income tax expenses	**1,514**	1,338

Reconciliation between tax expenses and accounting profit at applicable tax rates:

	Unaudited Six months ended 30 June	
	2023	2022
	RMB million	*RMB million*
Profit before taxation	**6,355**	5,562
Tax at PRC statutory tax rate of 25%	**1,589**	1,391
Impact of preferential tax rate *(Note)*	**(100)**	(90)
Tax effect of non-deductible expenses	**35**	39
Others	**(10)**	(2)
Income tax expenses	**1,514**	1,338

Note:

The Company's PRC statutory income tax rate is 25%.

According to the circular of "Continuing to Implement Preferential Corporate Income Tax Policies for Western Development" (Ministry of Finance announcement [2020] No. 23) issued by the Ministry of Finance, the State Administration of Taxation and the National Development and Reform Commission and relevant PRC enterprise income tax regulations, branches that are qualified and located in certain western provinces of mainland China are entitled to a preferential income tax rate of 15%. Certain branches of the Group obtained the approval were entitled to this preferential income tax rate of 15% until the end of 2030.

According to the notice of "Concerning Preferential Enterprise Income Tax Policies of Hainan Free Trade Port" (Caishui [2020] No. 31) issued by the Ministry of Finance and the State Administration of Taxation, Hainan Province branch is entitled to a preferential income tax rate of 15% after obtaining the approval until the end of 2024.

According to the circular of "Implementation of Preferential Income Tax Policies for High-tech Enterprises" (The State Administration of Taxation [2017] No. 24) issued by the State Administration of Taxation and relevant PRC enterprise income tax regulations, the Company's subsidiary Smart Tower Corporation Limited is qualified and entitled to a preferential tax rate of 15% for high-tech enterprises. Smart Tower Corporation Limited obtained the certificate of high-tech enterprises which is valid until 17 December 2024.

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, while the shares purchased for the restricted share incentive scheme excluded.

	Unaudited Six months ended 30 June	
	2023	2022
Profit attributable to owners of the Company (in RMB million)	**4,841**	4,224
Weighted average number of ordinary shares in issue (million)	**174,812**	174,812
Basic earnings per share (in RMB Yuan)	**0.0277**	0.0242

(b) Diluted

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

The Group only has one category of potential ordinary shares, that is the shares granted to employee under the restricted share incentive scheme. The restricted shares were not included in the calculation of diluted earnings per share for the six months ended 30 June 2023 and 2022 because the unlocking conditions of achieving certain performance conditions are not met. Therefore, the diluted earnings per share was the same as basic earnings per share.

7. Dividends

At the annual general meeting on 11 May 2023, the shareholders of the Company approved the payment of a final dividend of RMB0.03232 per share (equivalent to HK$0.03666 per share) (pre-tax) for the year ended 31 December 2022 approximately RMB5,689 million in total.

As at 3 August 2023, the Board has resolved that no interim dividend is declared for the six months ended 30 June 2023 (for the six months ended 30 June 2022: nil).

8. Trade and other receivables

	Unaudited As at 30 June 2023 *RMB million*	Audited As at 31 December 2022 *RMB million*
Trade receivables *(Note (a))*	**59,654**	38,350
Less: Credit loss allowance	**(2,362)**	(1,857)
Trade receivables, net	**57,292**	36,493
Payments on behalf of customers *(Note (b)(i))*	**5,120**	4,500
Deposits *(Note (b)(ii))*	**1,151**	1,200
Others	**104**	69
Less: Credit loss allowance	**(2)**	(2)
Other receivables, net	**6,373**	5,767
Trade and other receivables	**63,665**	42,260

As at 30 June 2023 and 31 December 2022, trade and other receivables were primarily denominated in RMB and their carrying amounts approximated their fair values.

For the six months ended 30 June 2023, no write-off in trade receivables (for the six months ended 30 June 2022: nil).

(a) Trade receivables

(i) Aging analysis of the Group's gross trade receivables based on the billing, as of the end of the reporting period, are as follows:

	Unaudited As at 30 June 2023 *RMB million*	Audited As at 31 December 2022 *RMB million*
Within 3 months	**23,562**	19,752
3 to 6 months	**20,679**	8,686
6 months to 1 year	**9,644**	6,808
1 year to 3 years	**4,672**	2,524
Over 3 years	**1,097**	580
	59,654	38,350

(ii) Trade receivables are analysed by customers:

	Unaudited As at 30 June 2023	Audited As at 31 December 2022
	RMB million	*RMB million*
CMCC Group	**28,894**	17,791
CTC Group	**10,843**	5,516
CUC Group	**12,825**	9,539
Others	**7,092**	5,504
	59,654	38,350

Trade receivables primarily comprise receivables from the Three TSPs. Other third-party customers include local government authorities and public institutions, state-owned companies and other customer groups.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The expected credit loss of certain customers or relevant groups are based on current conditions as well as reasonable forecasts of future economic conditions from time to time.

(b) Other receivables

(i) Payments on behalf of customers mainly represent the payments made by the Group on behalf of the Three TSPs to their suppliers for certain sites electric power supply charges when the Group provides the services of power access to its customers and acting as an agent. Such customers usually make payment to the Group within 1-3 months.

(ii) Deposits primarily include deposits for site ground lease, office premises lease, and equipment purchase. They are considered to be of low credit risk. The expected credit loss is not material.

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 primarily denominated in RMB. Their carrying amounts approximate their fair values due to their short-term maturities.

The aging analysis of accounts payable is based on the invoice date as follows:

	Unaudited As at 30 June 2023 *RMB million*	Audited As at 31 December 2022 *RMB million*
Within 6 months	**19,337**	20,392
6 months to 1 year	**2,849**	2,296
Over 1 year	**4,380**	3,958
	26,566	26,646

10. Restricted share incentive scheme

At the Company's annual general meeting held on 18 April 2019, the shareholders of the Company approved the adoption of a restricted share incentive scheme (the "**Scheme**"), with a duration of 10 years. Pursuant to the Scheme, the Company may grant restricted shares to qualified participants ("**Scheme Participants**"), and subject to the fulfilment of certain performance conditions and service conditions.

As instructed by the Board, a Trustee is appointed to acquire certain number of H shares from the secondary market for the Scheme.

Shares held by the Trustee under restricted share incentive scheme are shown below:

	Unaudited As at 30 June 2023		Audited As at 31 December 2022	
	Number of restricted shares *(million)*	**Shares held under restricted share incentive scheme** *(RMB million)*	Number of restricted shares *(million)*	Shares held under restricted share incentive scheme *(RMB million)*
Shares held under restricted share incentive scheme	**1,196**	**1,954**	1,196	1,954

11. Lease

(i) The interim consolidated statement of financial position shows the following amounts relating to leases:

	Unaudited As at 30 June 2023	Audited As at 31 December 2022
	RMB million	*RMB million*
Right-of-use assets		
– Sites and premises	**29,918**	30,481
– Land use rights	**972**	1,097
	30,890	31,578
Lease Liabilities		
– Current	**6,976**	7,127
– Non-current	**14,543**	14,947
	21,519	22,074

(ii) The interim consolidated statement of comprehensive income shows the following amounts relating to leases:

	Unaudited Six months ended 30 June	
	2023	2022
	RMB million	*RMB million*
Depreciation charge of right-of-use assets	**5,790**	5,779
Interest expense	**618**	588
Expense relating to short-term leases and low-value leases	**593**	697

FINANCIAL OVERVIEW

(Expressed in RMB unless otherwise indicated)

Operating Revenue

In the first half of 2023, the Company firmly grasped the development opportunities of the 5G new infrastructure, digital economy and "dual carbon" strategies, continued to deepen the "One Core and Two Wings" strategy, and maintained a steady and healthy growth in operating revenue. In the first half of 2023, the operating revenue reached RMB46,461 million, up by 2.2% over the same period last year, of which the revenue from TSP business reached RMB40,905 million, down by 1.1% over the same period last year; the revenue from Smart Tower business reached RMB3,386 million, up by 31.0% over the same period last year; the revenue from Energy business reached RMB1,975 million, up by 38.5% over the same period last year. The revenue structure continued to improve, the proportion to operating revenue of revenue from non-tower businesses, including the DAS business and the Two Wings business, increased from 15.1% over the same period last year to 19.3%.

In early 2023, the Company entered into a new round of five-year Commercial Pricing Agreements with the three major TSPs, so as to constantly provide customers with quality services at more attractive prices and further strengthen the Company's market competitiveness. After excluding the impact of the Commercial Pricing Agreements, the revenue from TSP business increased by 3.4% on a comparable basis over the same period last year, and the overall operating revenue of the Company increased by 6.2% on a comparable basis over the same period last year.

Operating Expenses

The Company deeply carried out special campaigns in reducing cost by referencing to benchmarks and enhancing quality and efficiency, and the cost efficiency continued to improve. In the first half of 2023, the operating costs amounted to RMB39,047 million, up by 1.7% over the same period last year. The operating costs accounted for 84.0% of the operating revenue, down by 0.4 percentage point over the same period last year, of which:

- ***Depreciation and amortisation***

  The Company actively promoted the life extension and reusing of existing assets, while continuing to optimize the construction solutions and match the structural change in TSPs' 5G construction demands, the depreciation and amortisation amounted to RMB24,607 million in the first half of 2023, down by 1.1% over the same period last year.

- ***Repairs and maintenance expenses***

  The Company ensured the operational safety of equipment and facilities and the customer service quality through continuously carrying out special campaigns, such as safety hazard inspection and maintenance of assets, with the increase in useful life of assets. At the same time, the Company accelerated the digital monitoring of asset operations and the promotion and application of intelligent operation and maintenance, and promoted the precise order dispatch and maintained the standardized management of operation, so as to manage the repairs and maintenance expenses effectively. The repairs and maintenance expenses amounted to RMB3,559 million in the first half of 2023, up by 2.1% over the same period last year.

- ***Employee benefits and expenses***

  In the first half of 2023, the employee benefits and expenses amounted to RMB4,001 million, up by 5.9% over the same period last year.

- ***Site operation and support expenses***

  In the first half of 2023, the site operation and support expenses amounted to RMB2,519 million, up by 0.5% over the same period last year, of which IT service fees in respect of site operation increased by RMB158 million over the same period last year.

- ***Other operating expenses***

  In the first half of 2023, other operating expenses amounted to RMB4,361 million, up by RMB611 million over the same period last year. For Two Wings business, the Company enhanced the development of AI algorithms and product iteration while strengthening marketing efforts, with the business development costs including technical supporting service fees, sales expenses, and utility fees for business operation increased by RMB743 million over the same period last year.

Finance Costs

As the Company enhanced centralized fund management, the average interest-bearing liabilities in the first half of 2023 decreased by RMB11,195 million over the same period last year. Meanwhile, benefiting from multi-channel financing at low costs, the Company's overall finance costs maintained at a relatively low level. The Company's net finance costs amounted to RMB1,342 million in the first half of 2023, down by 16.3% over the same period last year.

Profitability

In the first half of 2023, the Company recorded an operating profit of RMB7,414 million. The net profit attributable to owners of the Company amounted to RMB4,841 million, up by 14.6% over the same period last year. In the first half of 2023, EBITDA reached RMB32,021 million, up by 0.2% over the same period last year, and accounted for 68.9% of the operating revenue, maintaining a relatively high level.

Capital Expenditures and Cash Flow

In the first half of 2023, the Company made proactive efforts to expand its investments effectively, and closely coordinated with TSPs' network construction plans, aiming to take up all new construction demands. It also expedited the conversion of demands into implementation and delivery. Furthermore, the Company carried out special campaigns in an orderly manner, including electric power improvement, battery remediation for key scenarios, addressing safety risks in towers and shelters, and upgrading and renovating intelligent operation and maintenance systems, so as to enhance the quality of asset operations and long-term service capabilities. The capital expenditures of the Company for the first half of 2023 amounted to RMB12,822 million, up by RMB3,737 million over the same period last year. Impacted by the implementation of the new phase of the Commercial Pricing Agreements, which involved the upgrade and adjustment of the charging system, data reconciliation and negotiation of service standards, the return of revenue was temporarily delayed in the first half of 2023, with the net cash generated from operating activities of RMB11,555 million and the free cash flow[5] of RMB-1,267 million.

Note 5: Free cash flow is the net cash generated from operating activities minus the capital expenditures.

Balance Sheet Status

As of 30 June 2023, the Company's total assets were RMB318,063 million and the total liabilities were RMB125,284 million, of which the net debts amounted to RMB89,083 million. The liabilities to assets ratio remained at a healthy level of 39.4%.

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 2023.

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 financial report for the six months ended 30 June 2023.

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 2023, the Company had complied with the code provisions set out in the Corporate Governance Code (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**").

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 2023.

Contingent Liabilities

As at 30 June 2023, the Company had no contingent liabilities.

Material Legal Proceedings

For the six months ended 30 June 2023, 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 Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") at www.hkexnews.hk. The 2023 interim report will be available on the websites of the Hong Kong Stock Exchange and the Company, and will be dispatched to the shareholders of the Company 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
Zhang Zhiyong
Chairman

Beijing, China, 3 August 2023