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)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

The board of directors (the "**Board**") of China Tower Corporation Limited (the "**Company**") is pleased to announce the audited results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2018. This announcement contains the full text of the Company's annual report for 2018, and complies with the relevant content requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in relation to preliminary announcements of annual results.

Publication of Annual Results Announcement and Annual Report

The English and Chinese versions of this results announcement can be available on the website of the Company (www.china-tower.com) and the website of the Stock Exchange (www.hkex.com.hk). If there is any inconsistency between the English version and the Chinese version, the Chinese version shall prevail. Printed version of the Company's annual report for 2018 will be despatched to H shareholders of the Company subsequently, and available for viewing on the website of the Company (www.china-tower.com) and the website of the Stock Exchange (www.hkex.com.hk) at that time.

Forward Looking Statements

The performance and the results of the operations of the Group contained in this announcement are historical in nature, and past performance is no guarantee of the future results of the Group. 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, 4 March 2019

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*

Contents

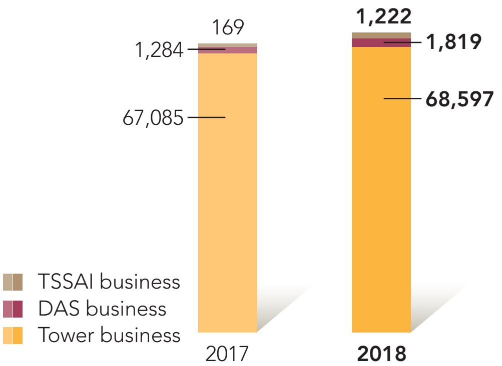
Performance Highlights

RMB million	2018	2017	Change
Operating revenue	**71,819**	68,665	4.6%
of which			
Tower business	**68,597**	67,085	2.3%
DAS business	**1,819**	1,284	41.7%
TSSAI business	**1,222**	169	623.1%
Operating profit	**9,081**	7,715	17.7%
EBITDA[1]	**41,773**	40,357	3.5%
Profit for the year	**2,650**	1,943	36.4%
Capital expenditures	**26,466**	43,836	–39.6%
Cash flows from operating activities	**45,540**	34,935	30.4%
Earnings per share (RMB Yuan)	**0.0179**	0.0150	19.3%

Note 1: EBITDA: earnings before interest, tax, depreciation and amortization, the EBITDA of the Group is calculated by operating profit plus depreciation and amortization.

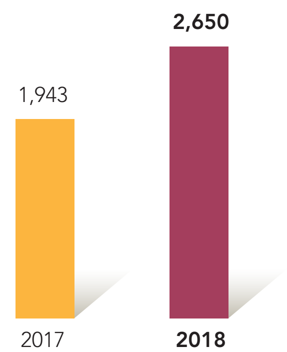
Operating revenue

(RMB million)



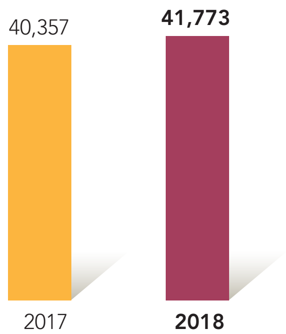
Profit for the year

(RMB million)



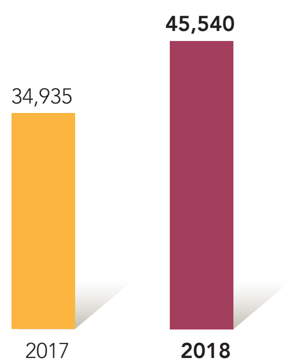
EBITDA

(RMB million)



Cash flows from operating activities

(RMB million)



No. of tenants (thousands)

3,009.2

No. of sites (thousands)

1,947.6

TSSAI revenue

+6 times

Tenancy ratio

1.55

Key operating data

Indicator	Unit	2018	2017	Change
Number of tenants	'000	**3,009.2**	2,687.5	12.0%
Of which: number of tower tenants	'000	**2,837.1**	2,645.2	7.3%
number of DAS tenants	'000	**31.4**	23.6	33.0%
number of TSSAI tenants	'000	**140.7**	18.6	654.8%
Number of sites	'000	**1,947.6**	1,872.2	4.0%
Tenancy ratio	tenant/site	**1.55**	1.44	7.6%
Average annual revenue per site[1]	RMB'000/site	**37.6**	35.8	5.0%

Note 1: Average annual revenue per site = revenue for the year/((number of sites at the beginning of the period + number of sites at the end of the period)/2), while the revenue in 2017 is estimated based on the illustrative financial information (please refer to Section 9 of "Management Discussion and Analysis – Financial Overview").

Corporate Culture

Our Vision

To be a world-class telecommunications infrastructure service provider

Our Mission

Sharing and win-win, building an enterprise with the best potential for both growth and value creation

Core Values

Entrepreneurship and Innovation

Since its inception, the spirit of entrepreneurship and innovation has always been the most fundamental characteristic of the Company.

The Company actively advocates and encourages innovation, strives to stay out of ruts and away from convention, welcomes trial and error, drawing on others' achievements, making changes, and moves with the times to ensure sustainable development of the enterprise through innovation.

Pragmatism and Efficiency

Commitment to pragmatism and efficiency is the bedrock of the Company's sustainable and healthy development.

As a result of our commitment to efficiency through intensive, specialized, standardized, market-oriented and coordinated operations, we provide higher efficiency than our peers in the industry.

Benefiting Customers

The principle of always benefiting our customers is of fundamental significance for the sustainability and development of the Company.

We will continue to adhere to and strengthen customer service awareness, build a good service reputation, and provide quality and reliable services by centering on customer perception.

Accomplished Employees

Our accomplished employees are the source of strength for the sustainable and healthy development of the Company.

Whether the Company can generate income and realize a healthy and sustainable development depends on employees, who are the most valuable asset of the Company and constitute its core competitiveness.

Milestones

2014

- Established under the name "China Communications Facilities Services Corporation Limited".
- Adopted our current name "China Tower Corporation Limited".
- Established 31 provincial-level branches by the end of the year.

2015

- Acquired certain existing telecommunications towers and related assets from the Telecom Shareholders and commenced substantive commercial operations.
- Issued new shares to each of the Telecom Shareholders and China Reform, and our share capital increased accordingly.
- Obtained the Basic Telecommunications Business Operation License (domestic telecommunications facilities service business) and the Value-added Telecommunications Business Operation License (web hosting) issued by the Ministry of Industry and Information Technology.

2016

- Entered into the Commercial Pricing Agreements with China Mobile Company, China Unicom Corporation and China Telecom, separately.
- Completed the issuance of asset-backed notes of RMB4.95 billion via China Interbank Bond Market.

2017

- Became a member of the International Telecommunication Union.

2018

- Entered into the Supplemental Agreements to the Commercial Pricing Agreements, and the Service Agreements with each of China Mobile Company, China Unicom Corporation and China Telecom, separately.
- Built strategic cooperation with many renowned companies, such as State Grid Corporation of China, China Southern Power Grid Co., Ltd., China Post Group Corporation, China Railway Corporation, Alibaba (China) Co. Ltd. and many real estate enterprises during the year.

Aug

- Listed on the Hong Kong Stock Exchange on 8 August 2018, raising approximately HK$58.8 billion and making it the biggest H-Share IPO in 2018.

Nov

- Established Southeast Asia Tower Co., Ltd. in Laos on 20 November 2018, the first step to explore the international business.

Dec

- Became a constituent stock of Hang Seng China Enterprises Index and Hang Seng Stock Connect Hong Kong Index on 10 December 2018.

2019

Mar

- Announced 2018 Annual Results on 4 March 2019.

HIGH-SPEED RAILWAY COVERAGE

17,691 km

SUBWAY COVERAGE

2,887 km

SHARING OF RESOURCES


ISO 6400
F 5.6
Chat
SEND

Chairman's Statement

Value Creation through Resource Sharing

Dear Shareholders,

As China furthers its development into a "Cyberpower" and implements the "Broadband China" strategy, the strategic importance of telecommunications infrastructure has gained even wider recognition in 2018. In view of this, China Tower, while adhering to its core strategy of resource sharing and professional operation, has maintained a healthy growth momentum with overall operating performance continuing to improve, solidifying foundations for the Company's sound and sustainable development.

We achieved major developments in 2018, making it a milestone in our history. On 8 August, the Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited, revealing investors' recognition of the Company's value and confidence from the capital markets in our future.

1. Financial Performance

We maintained a stable and healthy revenue growth momentum in 2018, recording an operating revenue of RMB71.819 billion, up by 4.6% year-on-year. Our revenue from tower business reached RMB68.597 billion, accounting for 95.5% of total operating revenue, representing an increase of 2.3% over 2017. DAS business recorded revenue of RMB1.819 billion, accounting for 2.5% of total operating revenue, representing an increase of 41.7% from the previous year, while TSSAI business recorded revenue of RMB1.222 billion, accounting for 1.7% of total operating revenue, representing an increase of more than six times over a year ago. Our revenue structure continued to improve.

Our profitability has further improved with a significant boost in profit level during the latest reporting period, with EBITDA reaching RMB41.773 billion, up by 3.5% year-on-year. EBITDA margin maintained at a satisfactory level of 58.2%. Net profit[1] reached RMB2.650 billion, up by 36.4% year-on-year.

Our cash flow continued to improve while debts were managed at a healthy and controllable level. Net cash generated from operating activities amounted to RMB45.540 billion while capital expenditures stood at approximately RMB26.466 billion, further improving our cash flow. As of 31 December 2018, the Company's total assets amounted to RMB315.364 billion, with a gearing ratio[2] of 34.4%. This is 19.4 percentage points lower compared to the previous year.

With an aim of creating higher returns to our shareholders while taking into consideration our profitability, debt levels, cash flow and capital expenditures for future development, the Board recommends the payment of a final dividend of RMB0.225 (pre-tax) per one hundred shares for the year ended 31 December 2018, equivalent to a payout ratio of 55% of our annual distributable net profit.

2. Business Performance

In 2018, we continued to reinforce our leadership role in serving TSPs while building a multi-stream revenue structure to support our long-term growth and maximizing our resource sharing strategy. As of 31 December 2018, we are managing a total of 1.948 million sites and serving more than 3.0 million tenants, representing growth of 4% and 12% respectively from the previous year. The tenancy ratio increased from 1.44 in 2017 to 1.55, reflecting continued improvement in site co-location efficiency.

Note 1: Net Profit for the period refers to profit attributable to owners of the Company.

Note 2: 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%.

(I) Adherence to sharing strategy, cementing our industry leadership in TSP market

Our core strategy is to share and coordinate the use of telecommunications infrastructure. We strive to optimize the use of existing resources and prioritize co-location over new construction to satisfy the demands of new tenants. We have proven that by doing so, we are able to increase tenancy ratio and the efficiency of assets. We also leverage social assets to which we have access, such as lamp poles, electricity towers, surveillance poles and buildings, and coordinate the effective use of these to significantly reduce construction costs. Additionally, we have developed a new construction and service model with a holistic approach to combining macro and small cells, as well as indoor and outdoor network infrastructure, in order to respond to our customers' needs. These integrated solutions have enabled us to provide comprehensive network infrastructure and services, helping customers reduce costs and achieve differentiated yet complementary wireless network coverage. Through delivering on these promises, we have consolidated our commanding market position in China's telecommunications tower infrastructure sector.

To speed up the growing of our DAS business, the Company has focused consistently and clearly on identifying key scenarios and premises by providing customized and diverse network solutions for locations that include commercial buildings, large venues, subways and high-speed railways. As of the end of 2018, we covered commercial buildings with a total area of approximately 1,461 million square meters. The Company also covered a cumulative length of approximately 2,887 kilometers of subways and approximately 17,691 kilometers of high-speed railways in terms of telecommunications network coverage.

(II) Building on resource sharing while strengthening multi-stream revenue structure

Building on our core strengths in resources and expertise, we continue to optimize our sharing strategy within the industry. While proactively extending this strategy across society, applying it to aid the process of digitization and enhancing data transmission. By taking a new perspective on some of our physical social assets such as the extensive network of our sites, stable power supply, centralized operating and monitoring platform, as well as our ability to precisely and effectively gather and analyze data, we have been able to explore business opportunities beyond our core industry. The Company has expanded into areas such as site resources services, data information services, and field supervision and maintenance services. In addition, we have also achieved several successful breakthroughs in the application areas such as dedicated network services, security surveillance, environmental monitoring and field supervision.

3. Corporate Governance and Social Responsibility

We have been consistently improving our governance structure and putting in place sound mechanisms and procedures to strengthen internal control and risk management. There has been particular focus on the monitoring and management of key items and areas to mitigate operational risks. We have continued to enhance our governance and management to promote the Company's long-term, sustainable and healthy development.

Throughout the reporting period, we have actively fulfilled our social responsibilities and have taken practical and concrete actions that contribute positively to the society. We have adhered to our core principle in resource sharing for the benefit of all through driving the co-development of social and industrial assets. Furthermore, by following our philosophy of resources maximization, we have been able to optimize investments and reduce wastage, achieving a higher efficiency in resource utilization across society. By providing uninterrupted power supply and maintenance services to the TSPs and our TSSAI customers, we are able to fulfill our obligations to support emergency communications. The Company is a keen advocate of energy saving and emissions reduction, and of exploring the practical uses for new sources of energy. We have also launched innovative services in areas such as environmental and pollution monitoring and have adopted eco-friendly and low carbon development practices. In addition, we have undertaken multiple targeted projects to alleviate poverty and information isolation by extending communications infrastructure into villages, especially those in China's remote western region, in order to narrow the digital divide.

4. Outlook

Looking to the future, the Internet, big data and artificial intelligence will become increasingly intertwined with the "real" economy, as the digital economy and smart society take hold. This development path will underscore the strategic importance of telecommunications infrastructure. In view of the new industry landscape and information technology revolution that will arise from the 5G era, we will strive to capture emerging opportunities, while also deepening our resource sharing strategy. Serving TSPs will remain our overarching focus, supplemented by the TSSAI and energy operation businesses. We are confident that this One Core and Two Wings strategy will enable the Company to develop into an enterprise with the greatest growth potential in terms of both growth and value creation amongst our global peers.

(I) Reinforcing TSP business and consolidating the foundation for sustainable growth

As we continue to focus on our core business, tower and DAS businesses will remain the major constituents of the Company's stable development. We will continue to drive resource sharing across the industry and focus on customers' needs as we market and promote our wireless network coverage integrated solutions. We will also seek to further enhance our core capability while maintaining our competitive edge in cost control and operational efficiency, as well as quality services.

To meet the TSPs' demands for in-depth 4G network coverage and quality 5G network infrastructure, we will strengthen our ability in site planning and resource consolidation to deliver this effectivity build-out. We will further pursue technological innovation in key areas such as tower site, power and ancillary facilities, as well as DAS sharing, in order to develop 5G-ready solutions for scale construction in 5G era.

(II) Developing the Two Wings to foster new growth sources

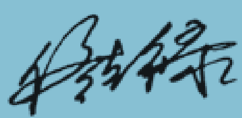
The TSSAI and energy operation businesses will be the two important growth areas for supporting the Company's sustainable development. The assets we manage provide a competitive advantage for us in optimizing the value of resource sharing. By extending this strategy into the wider community and other service areas, we will create multiple growth drivers for the Company, while also creating benefit and value for other industries and wider society through maximizing resource sharing.

In order to achieve our business development goals, we will focus on key sectors, clients and business segments as the basis of establishing a robust business model and comprehensive product portfolio. This will satisfy our customers' needs for integrated services as their businesses become more diverse, data driven and expand in scale. As we develop, nurturing a business and reputation that embodies China Tower's franchise characteristics will continue to be our foremost concern. In order to consolidate our resources and improve market share in TSSAI and the energy operation businesses, and to put in place an organizational structure that enables the healthy development of these two business lines, we will take an innovative approach towards reviewing our systems and mechanisms to ensure professional and streamlined enterprise operations.

(III) Maximizing enterprise value and developing a company of high growth and high value-creation

Our core philosophy emphasizes resource sharing and co-development that benefits all. We will thus seek to continue enriching and expanding the scope of asset sharing to optimize the value of our extensive resources. Furthermore, we will explore means of resource sharing within the industry, while also seeking to break through barriers, and take into consideration other sectors and service areas in society. In addition, we will adopt the same sharing approach in our business development and for identifying cost-savings for customers, thus allowing us to reflect the true value of the Company. Moreover, in order to realize our goal of increasing operational efficiency and derived benefits, we will strengthen our management system by adopting new technology and implementing specialized operations for individual assets. Additionally, the Company will enhance the competitiveness of our incentive mechanisms by putting in place a diverse range of rewards, including equity incentive schemes, to motivate our employees and promote coherence throughout the organization, which ensures the alignment of the values and goals of the Company, our shareholders and employees.

Finally, on behalf of the Board, I would like to express my sincere gratitude to our shareholders, including China Mobile, China Unicom and China Telecom, our customers, and the wider society for their support and trust in China Tower. To our employees, my heartfelt thanks to all of you for your hard work and dedication ensuring the continuing successful development of the Company.



Tong Jilu
Chairman and General Manager

Hong Kong
4 March 2019

Management Discussion and Analysis – Business Overview

Overview

In 2018, we focused on our "One Core, Two Wings" strategy to expand social resource-sharing and actively foster a growth trend with multiple driving forces, based on the Company's commitment to extending beyond industry resource-sharing. We put significant focus on establishing our core competitive advantages in high levels of efficiency, low costs and quality service, enabling our operating results to grow in a stable manner.

Key operating data

Indicator	Unit	2018	2017	Change
Number of tenants	'000	**3,009.2**	2,687.5	12.0%
Among which:				
number of tower tenants	'000	**2,837.1**	2,645.2	7.3%
number of DAS tenants	'000	**31.4**	23.6	33.0%
number of TSSAI tenants	'000	**140.7**	18.6	654.8%
Number of sites	'000	**1,947.6**	1,872.2	4.0%
Tenancy ratio	tenant/site	**1.55**	1.44	7.6%
Average annual revenue per site[1]	RMB'000/year	**37.6**	35.8	5.0%

Note 1: Average annual revenue per site = revenue for the year/[(number of sites at the beginning of the period + number of sites at the end of the period)/2)], which the revenue in 2017 shall be estimated based on the illustrative financial information (see "Management Discussion and Analysis – Financial Overview – 9.").

Committing to Growth by Sharing: Asset Efficiency Continues to Improve

We established the "sharing" philosophy and enrich and expand the scope of sharing, in order to satisfy the latest demands. Resource sharing developed from traditional site co-locations to other resources including towers, shelters, transmission and power services, and social resources as "integrated sharing". Our approach evolved from co-location development within the industry to resource sharing and cooperation between various industries and parts of society. The Company led the coordination to utilize internal and external resources, as well as leveraging shared assets to reduce costs for customers, gain recognition from all stake-holders, the wider community and drive the development of the business.

In 2018, we utilized existing resources to satisfy 86.1% of tower business orders, up by 14.1 percentage points over the previous year. By adopting a more proactive approach to maximizing the usage of existing and social resources, deepening integration and sharing of new constructions, the tenancy ratio of tower sites in 2018 reached 1.55, up by 0.11 from the previous year. In addition, tenancy ratio of ground tower sites reached 1.67, up by 0.14 from the year before. Average annual revenue per site amounted to RMB37,600, up by 5.0% from the previous year.

Innovative Service Model has led to Stable Growth in the TSP Business

Tower business: we are consistent in adopting a customer-oriented approach to and innovation in developing our business and have established a business model which enables us to launch integrated solutions for mobile network coverage to our customers. We provided holistic services to customers from planning, proposing, tackling challenging sites to satisfying customers' needs for differentiated coverage. We undertake antenna mounting at height, installing ancillary power facilities and transmission connections, all of which combine to create comprehensive solutions with extensive network coverage negating difficulties that customers may face, as well as reducing their costs. Our solutions satisfy the needs of customers for network coverage and generate value with both low costs and differentiation of service. In 2018, the number of tower sites reached 1,924,700, an increase of 3.7% from the previous year. There were 191,900 new tower business tenants bringing the total number of tower tenants to 2,837,100, an increase of 7.3% from the previous year.

DAS business: we continue to focus on key locations and applications, and co-location development while actively managing property resources. We are expanding DAS markets through personalised customized and diversified solutions, integrated for key venues such as high-speed railways, subways, airports and large venues. In 2018, DAS business covered buildings with total area of 1,461 million square meters, up by 52.5% over the previous year. We also provided coverage over 17,691km of high-speed rails and 2,887km of subways in terms of telecommunications network coverage, up by 27.9% and 48.3% respectively from the last year. The Company had 22,900 DAS sites with 31,400 business tenants, up by 33% from the last year.

Leveraging Resource Advantages, Diversified Operations Showing Success

We have taken advantage of our existing resources by transforming telecommunications towers into social towers, extending our established sharing strategy beyond the industry for wider use in society. A variety of business development models have been actively explored and our data information service capability has significantly improved.

Customers are provided with TSSAI services on a resource-sharing basis, resulting in more diversified development of the Company's site resources services and data information services business.

For key application services such as private communications networks for governments and enterprises, surveillance networks for environment quality, network for satellite signals ground-based augmentation as well as network for radio and television broadcasting, we actively carried out site resources services, data information services, field supervision and maintenance services, and quickly met customers' needs for scale construction. In 2018, revenue from our TSSAI business amounted to RMB1,222 million, accounting for 1.7% of total revenue, showing significant growth from 0.2% in 2017. There are 140,700 TSSAI tenants, up by 122,100 from the previous year.

The Company actively developed the socialized service of energy, relied on its experience in base station power assurance and power battery backup, and leveraged its capabilities and resource advantages to expand the concept of "co-location" into the socialized service field of energy, providing external products and services including backup power, power generation, energy storage, and power battery rental, and making useful attempts and explorations for the expansion of energy management business.

As part of our expansion into the international market, Southeast Asia Tower Co., Ltd. (東南亞鐵塔有限責任公司) was established in December 2018 to carry out telecommunications infrastructure construction and opening-up operations in Laos.

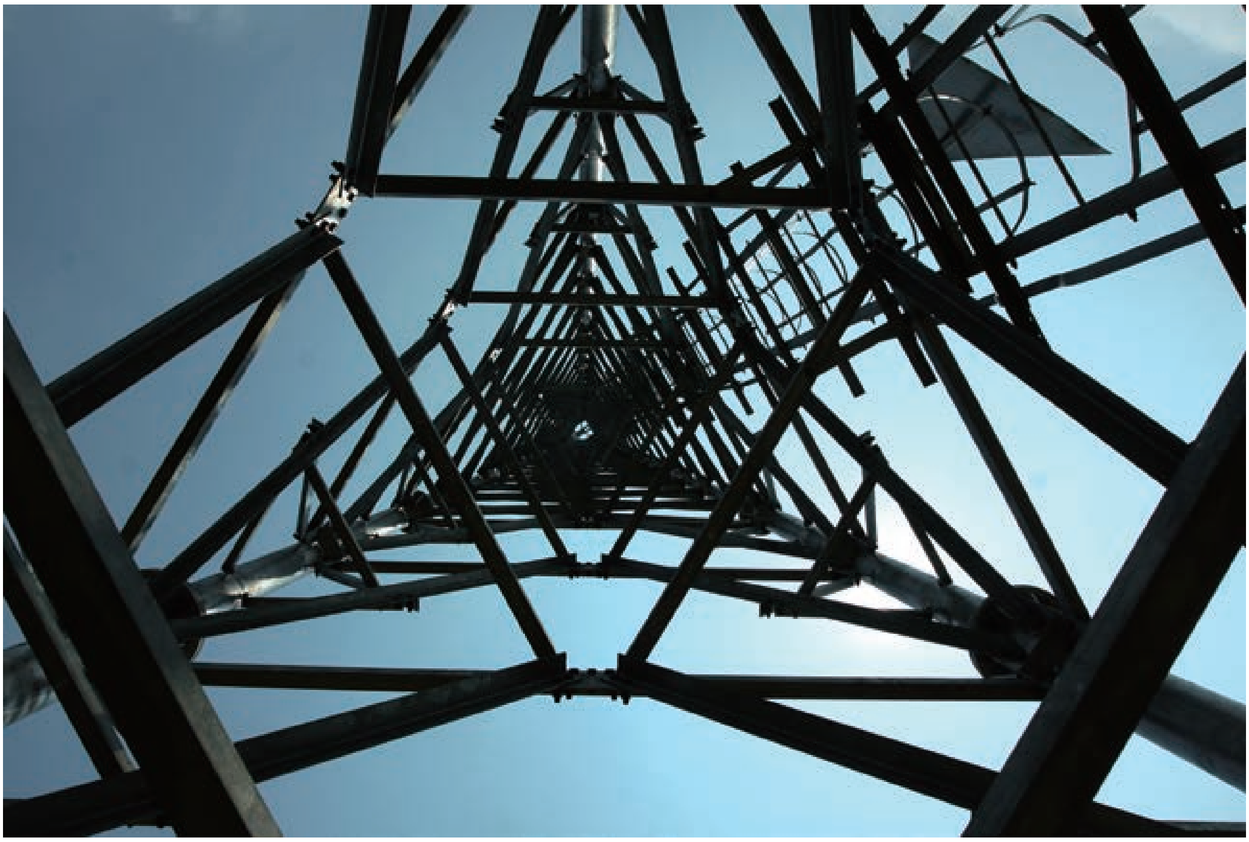
Ensuring Openness and Collaboration for a Better Development Environment

We fully grasp the opportunities arising from the implementation of "Cyberpower" and "Broadband China" strategies as well as the development in wireless communications. We strive to gain government support and create favorable environment for business growth. Our leading strategic position in providing telecommunications infrastructure has been widely recognized.

We have been vigorously acquiring social resources by cooperating with companies from power, railway, postal, Internet and real estate industries. We are continuously expanding the scope of new business while improving our corporate image and social position. We commenced strategic operations with the appropriate real estate companies, achieving a win-win and co-sharing cooperation. In 2018, we completed 3,881 joint projects with a coverage area of 600 million square meters, which has brought substantial positive impact on our business development.

Focus on Customer Perception to Ensure Service Continuity

Adhering to our focus on customer-oriented service, the Company has made continuous improvement in the quality of service maintenance. We continued to promote the efficiency of operations by strengthening daily maintenance and service continuity. This ensured the provision of safe and reliable telecommunications infrastructure and services to the TSPs.



In 2018, 100% of our sites with shelter were able to benefit from 24x7 real-time monitoring and the Company continually improved on surveillance coverage capability. Site average service disruption caused by power failure reduced to 9.8 mins/site/month, a drop of 21.5% when compared with 2017. The service disruption ratio caused by power failure was 5.9%, a drop of 12.9% when compared with 2017. Throughout 2018, we deployed a total of 385,000 people, 187,000 vehicles and 350,000 gasoline or diesel generators in emergency communication operations. We successfully safeguarded telecommunications communications during major natural disasters, including Typhoon Rumbia and Typhoon Mangkhut.

Preparing for Large Scale 5G Construction in Advance

We fully utilized the potential of existing resources and optimized the use of towers, power supply infrastructure, shelters and DASs for 5G infrastructure, in order to achieve higher cost-efficiency when 5G is fully rolled out. Meanwhile, we extended the strategic cooperation with State Grid, China Southern Power Grid, municipal services departments and real estate companies to acquire extensive social resources such as electricity towers, surveillance poles, lamp poles and property facilities and expand the pool of potential site assets. This will allow us to satisfy the needs of new sites to accommodate 5G macro cells, small cells and DASs.

We continued to innovate our technology and initiated the research and development on shared indoor small cell products for 5G with industry chain to drive 5G DAS sharing. We continued to seek government support, promoted collaborative planning and construction on 5G sites, furthered industry sharing and assisted in accelerating the build-out of 5G construction. As a member of the IMT-2020 (5G) Promotion Group, we participated fully in 5G scale tests in China, providing the infrastructure and environment for the TSPs to conduct 5G field tests in 19 provinces and 23 cities including Beijing.

Future Development Strategy

The Company adopts new development concepts as part of the key strategy of deepening resource sharing while implementing business transformation and professional management. This forms a two-pronged strategy to sustain development and create value. Our aim is to build China Tower into an enterprise with the highest potential for both growth and value creation among its global peers.

TSP business: Focus will be placed on satisfying the demands of the mobile network market through proactive marketing and coordinated business development initiatives. We will deepen the level of innovation in the service model by offering integrated solutions for mobile network coverage and striving to enhance both the tower and DAS business. At the same time, the Company will continue to assist customers improve their network capabilities and seek synergistic development within telecommunications industry.

The Company has deepened the level of cooperation between the government and the industry by aligning their directions of developments adopted by both bodies, with the strategies of the TSPs, while at all time adhering to our concept of shared development to establish a low-cost base. The Company captured the opportunities in urban and rural development, gaining recognition and trust by demonstrating its ability to act as a "coordinator" of telecommunications infrastructure.

Pursuing our strategy of increasing the industry impact of sharing and managing demand through integration, we will focus on improving co-location of single tenant sites and new sites and combine them with the effective deployment of social resources such as towers, electricity and public channels to fully streamline our assets and turn them into a cost advantage.

In terms of 5G network development, the Company will further strengthen its efforts in site planning and coordination. To meet the demand for 5G network infrastructure, we will make full use of social resources and drive technology innovation, so as to formulate more affordable and practical solutions in important areas such as towers, ancillary power facilities and DAS sharing, in order to offer service operators with cost-effective solutions around deployment.

The Company's strategies have enhanced investment efficiency conducted construction at low cost and high efficiency by implementing more specialized construction for different locations, such as refining residential communities, campuses, parks and tourist areas as well as high-speed railways and subways. Tower projects have been successfully adapted to suit local conditions with increased application of innovative products and solutions. Implemented DAS projects have adopted a combination of solutions, such as using traditional DAS, leaky cable distribution, telecommunications between buildings and active DAS, taking into consideration site conditions, functionalities and customers' requirements.

TSSAI business: Leveraging on the advantages provided from the scale of site resources, the focus is on three types of business: tower site resource services, data information services and field supervision and maintenance services. We will drive the TSSAI business strategy towards speeding up the pace of business expansion and professional operations. The Company will strengthen its business capability through competing in the market. Cross-sector integration will be a driver for large-scale development while high growth in value will be achieved through innovation. TSSAI business will become an important growth engine for the Company by providing new income sources, and eventually contributing value by resource sharing and higher profit contribution.

Energy business: As a telecommunications infrastructure service provider, the Company has operated and managed about 1.95 million site resources and has professional experience in base station power assurance and backup power service. The demand for energy services such as backup, power generation and energy storage is strongly generated in the society, and the energy socialization operation space is broad. Based on the experience of power battery backup and the advantages of large-scale procurement, as well as the professional maintenance capability and the visually controllable field supervision system, the Company expands the philosophy of "sharing" to the energy field and actively explores the development of various power battery applications such as backup power, power generation, and energy storage, strengthens the expansion of the external market, strives to become a nationwide power assurance and energy service specialized company, and fosters multiple sources of income to support our continued growth.

Management Discussion and Analysis – Financial Overview

1. Summary

In 2018, the Company has continuously enhanced the "sharing" philosophy and enriched construction and service model by innovation, expanded market opportunities and enhanced the delicacy management to support effective and efficient operations.

In 2018, the operating revenue of the Group amounted to RMB71,819 million (expressed in RMB in this Financial Overview unless otherwise indicated), up by 4.6% over last year; the operating profit amounted to RMB9,081 million, up by 17.7% over last year; the net profit for the year was RMB2,650 million, up by 36.4% over last year; the EBITDA was RMB41,773 million, up by 3.5% over last year; the capital expenditures amounted to RMB26,466 million and the free cash flow[1] amounted to RMB19,074 million.

In early 2018, the Company has amended certain pricing terms of the previous Commercial Pricing Agreements with Three TSPs (hereafter referred to as the "Pricing Adjustment"). In the meantime, the Company changed the estimated useful lives of its self-built ground telecommunications towers (hereafter referred to as the "Changes of estimated useful life of Self-built Towers"), with effect from 1 January 2018. For illustrative purpose, based on the Pricing Adjustment and the Changes of estimated useful life of Self-built Towers, assuming all took place on 1 January 2017, the Company prepared certain important illustrative financial information for 2017. For the details mentioned above, please refer to "9. Other issues". Compared with the aforementioned 2017 illustrative financial information, the 2018 operating revenue would have increased by 11.2% over last year, the operating profit would have increased by 61.3% over last year and the EBITDA would have increased by 15.2% over last year.

2. Operating Revenue

In 2018, the Company's business and operation are continuously driven by innovation and services. 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. Operating revenue achieved stable growth, the revenue growth trend with multiple driving forces has primarily been developed. In 2018, the Group's revenue amounted to RMB71,819 million, up by 4.6% over last year, the aggregated proportion of revenue from DAS business and TSSAI business increased from 2.1% to 4.2% over last year.

The table below summarizes the changes in composition of the Company's operating revenue for the years of 2018 and 2017:

	2018		2017	
	Total amount RMB million	**Proportion in operating revenue**	Total amount RMB million	Proportion in operating revenue
Operating revenue	**71,819**	**100.0%**	68,665	100.0%
Of which:				
Tower business	**68,597**	**95.5%**	67,085	97.7%
DAS business	**1,819**	**2.5%**	1,284	1.9%
TSSAI business	**1,222**	**1.7%**	169	0.2%

Note 1: Free cash flow is the net cash generated from operating activities minus the capital expenditures.

Revenue from tower business

In 2018, the Company insists on applying the "sharing" philosophy over tower assets, providing integrated wireless communications coverage solutions for indoor and outdoor wireless communications coverage through a mix of macro cells and small cells to actively address specific needs of wireless communications network coverage from customers in a cost-effective manner, and reinforcing our dominant industry leadership position in tower business. The revenue from tower business was RMB68,597 million, up by 2.3% over last year.

Revenue from DAS business

In 2018, the Company satisfies wireless communication coverage via DAS sites in commercial buildings, large venues as well as subway, high-speed railway and other scenarios. DAS business expands rapidly, the operating revenue from which was RMB1,819 million, up by 41.7% over last year. The revenue from DAS business accounted for 2.5% of our total operating revenue, representing an increase of 0.6 percentage point compared to that of last year.

Revenue from TSSAI business

In 2018, the Company maximizes resources advantages, and actively captures the strategic development opportunities with booming wireless Internet alongside rising information and communications consumption, consolidates public resources, further expands TSSAI business, such as site resource services, data information services, field supervision and maintenance service. The revenue from TSSAI business rapidly increased from RMB169 million in 2017 to RMB1,222 million in 2018, accounting for 1.7% of our total operating revenue, representing an increase of 1.5 percentage points compared to that of last year.

3. Operating Expenses

In 2018, The Company persisted in individual site accounting system and asset management throughout their life cycle in a more cost-effective manner while providing high quality services. We also introduced centralized IT system and flat Internet-based management models with transparency and fairness and improved operating efficiency in order to enable an effective operation at lower costs.

In 2018, the operating expenses were RMB62,738 million, up by 2.9% over last year; accounting for 87.4% of the operating revenue, down by 1.4 percentage points over last year.

The table below summarises the changes in composition of the Company's operating expenses for the years of 2018 and 2017:

	2018		2017	
	Total amount RMB million	**Proportion in operating revenue**	Total amount RMB million	Proportion in operating revenue
Operating expenses	**62,738**	**87.4%**	60,950	88.8%
Of which:				
Depreciation and amortisation	**32,692**	**45.5%**	32,642	47.5%
Site operating lease charges	**12,196**	**17.0%**	11,336	16.5%
Repair and maintenance	**6,165**	**8.6%**	6,156	9.0%
Employee benefits and expenses	**4,917**	**6.8%**	4,229	6.2%
Other operating expenses	**6,768**	**9.4%**	6,587	9.6%

Depreciation and amortization

In 2018, the Company insists on applying the "sharing" philosophy, enriches construction and service model by innovation, continues the sharing of existing and new site resources, effectively controlling the construction cost through a more proactive approach with the sharing of social resources as well as providing integrated service solutions. The Group's depreciation and amortisation were RMB32,692 million, up by 0.2% over last year.

Site operating lease charges

In 2018, the Company develops a favorable environment by collaborating with external parties and reinforces the management of site rental contracts renewals by monitoring the increase of rent and seeking low-cost site resources to effectively control site operating lease charges. The site operating lease charges were RMB12,196 million, up by 7.6% over last year.

Repair and maintenance expenses

In 2018, through smart controlling and precise monitoring, the Company continues to enhance the quality and efficiency of our maintenance services with the centralized and nationwide maintenance platform and further enhanced "E-maintenance" model. Repair and maintenance expenses were RMB6,165 million, up by 0.1% over last year.

Employee benefits and expenses

In 2018, the Company focuses on market expansion, actively optimises employee structure, supplements talents with expertise in TSSAI business and integrated service solutions and continues to enhance the incentive mechanisms to better align the remuneration with performance. Employee benefits and expenses were RMB4,917 million, up by 16.3% over last year.

Other operating expenses

In 2018, other operating expenses, including power generation charges, site operation and support expenses, losses on write-off/disposal of property and equipment, office lease, property management expenses and utilities were RMB6,768 million, up by 2.7% over last year.

4. Finance Costs

In 2018, due to the rise in market interest rate and the increase in the average balance of interest-bearing liability, the net finance cost amounted to RMB5,759 million, up by 11.2% over last year.

5. Profitability

Operating profit and EBITDA

In 2018, as a result of revenue growth and cost control, the Group's operating profit amounted to RMB9,081 million, up by 17.7% over last year; the EBITDA amounted to RMB41,773 million, representing 58.2% of operating revenue.

Income tax

In 2018, the income tax expense amounted to RMB825 million. The effective tax rate for 2018 was 23.7%.

Net profit

In 2018, the net profit amounted to RMB2,650 million, up by 36.4% over last year. The Company's earnings per share for 2018 was RMB0.0179.

6. Capital Expenditures and Cash Flow

Capital expenditures

As impacted by Three TSPs' construction demands reduction, and promotion of transformation of the construction model, the Company effectively controls capital expenditures and meets customer demands at lower costs by making extensive use of social resources and integrated solutions for mobile network coverage through combination of macro and small cells as well as indoor and outdoor network infrastructure. In 2018, the capital expenditures was RMB26,466 million.

The table below summarises the major items of the Company's capital expenditures in 2018:

	2018	
	Total amount RMB million	Proportion
Capital expenditures	**26,466**	**100.0%**
Of which:		
New site construction and augmentation	**17,530**	**66.2%**
Site replacement and improvement	**4,671**	**17.7%**
I.T. support and purchase of comprehensive production houses	**4,265**	**16.1%**

Operating cash flow and free cash flow

In 2018, the Group's net cash generated from operating activities was RMB45,540 million. Free cash flow, excluding the capital expenditures, was RMB19,074 million.

7. Balance Sheet Status

As at the end of 2018, the Group's total assets amounted to RMB315,364 million; the Company's total liabilities amounted to RMB134,862 million; of which the net debts amounted to 94,556 million. The debt to asset ratio was 42.8%, decreased by 17.7 percentage points from the end of last year; the gearing ratio dropped by 19.4 percentage points to 34.4%.

8. Use of Proceeds from IPO

On 8 August 2018, the Company completed its initial public offering with an issuance of 43,114,800,000 H shares on the Main Board of The Stock Exchange of Hong Kong Limited 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. Approximately RMB30,214 million, being 60% of the net proceeds, is expected to be used for funding the capital expenditures. As at 31 December 2018, RMB4,206 million have not been used. Approximately RMB15,107 million, being 30% of the net proceeds, is expected to be used for repaying bank loans. Approximately RMB5,036 million, being 10% of the net proceeds, is expected to be used for other general corporate purposes. As at 31 December 2018, all proceeds related to repaying bank loans and other general corporate purposes have been fully used. The proceeds are and will continuously be used in accordance with the plans as disclosed in the section headed "Future Plans and Use of Proceeds – Use of Proceeds" of the Prospectus.

9. Other Matters

Pricing Adjustment

In early 2018, after negotiations on arm's length basis, the Company entered into a Pricing Adjustment to the Commercial Pricing Agreement with each of the Three TSPs to amend certain pricing terms of the previous Commercial Pricing Agreements. The key amendments include the reduction of cost margin and increase of co-location discount rates for tower business. The Pricing Adjustment to the Commercial Pricing Agreements has a term of five years with effect from 1 January 2018, and expires on 31 December 2022.

Changes of Estimated Useful Life of Self-built Towers

Taking into account the technology development, such as the 5G standard implementation, the new favorable government policies related to site protection as well as quality and features of the Self-built Towers, in order to better align the estimated useful life of fixed assets for Self-built Towers with their actual use, the Company reassessed and adjusted the estimated useful life of Self-built Towers from 10 years to 20 years, with effect from 1 January 2018. We accounted for this change of accounting estimates prospectively. For the details, please refer to Note 2.1.3 to the financial statements in this annual report.

Illustrative Financial Information for 2017

Based on the adjusted pricing and changes of estimated useful lives of self-built ground towers, assuming all other terms remaining unchanged, we calculated certain important illustrative financial data for 2017 for illustration purposes (such illustrative Financial Information also disclosed in the Prospectus of the Company dated on 25 July 2018). Such information is aimed to assist better evaluation of the impact of pricing and depreciation adjustments on our financial performance. These measures are not prepared under the IFRSs, and are based on several assumptions, thus you should not regard it as an independent analysis nor an alternative to analysis on the results of operations based on IFRSs.

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

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

Notes:

(1) Illustrative operating revenue is only affected by the adjusted pricing formula to tower business. We calculated the illustrative revenue from tower business based on the adjusted pricing formula, assuming other terms affecting our tower business in 2017 unchanged (the illustrative revenue from tower business for 2017 would decrease from RMB67,085 million to RMB62,986 million). Illustrative operating revenue is calculated by combining the illustrative revenue from tower business with revenue from non-tower business.

(2) We calculated the illustrative depreciation expense of Self-built Towers, which is a component of illustrative operating expenses, under the assumption that the adjusted estimated useful life for Self-built Towers had been changed since 1 January 2017, and accounted for this change prospectively (the illustrative Self-built Towers depreciation expense for 2017 decreased from RMB3,878 million to RMB1,865 million). The illustrative operating expenses comprise the illustrative depreciation expense for Self-built Towers, plus the sum of historical depreciation and amortization expenses (other than those for Self-built Towers), historical site operating lease charges, repairs and maintenance expenses, employee benefits and expenses, and other operating expenses.

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

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

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

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

(7) Illustrative EBITDA is illustrative operating profits with illustrative depreciation and amortization added back.

SHARING FOR WIN-WIN

1.95 million

SITES ACROSS THE NATION

Building and operating telecommunication towers and indoor DAS

Profiles of Directors, Supervisors and Senior Management

Directors

Mr. Tong Jilu (佟吉祿), aged 60, has been an executive Director since July 2014, the chairman of the Board since March 2018 and the general manager of the Company since July 2014. Mr. Tong served as deputy director of Liaoning Posts and Telecommunications Administration from November 1998 to December 1998, and deputy director of Liaoning Posts Bureau from December 1998 to July 2000. He then successively served in several positions with China United Telecommunications Corporation (the predecessor of CUC), including chief accountant from July 2000 to February 2001, deputy general manager from February 2001 to August 2003, director and deputy general manager from August 2003 to November 2004, and director, deputy general manager and chief accountant from December 2004 to January 2009. Mr. Tong successively served in several positions with CUC, including director, deputy general manager and chief accountant from January 2009 to April 2011, and director and deputy general manager from May 2011 to August 2014. He also served as executive director and chief financial officer of China Unicom Limited (the predecessor of China Unicom) from February 2004 to October 2008. He successively served in several positions with China Unicom, including executive director and chief financial officer from October 2008 to March 2011, and executive director and senior vice president from March 2011 to August 2014.

Mr. Tong graduated from Beijing Institute of Posts and Telecommunications (renamed as Beijing University of Posts and Telecommunications in 1993) in July 1987 and majored in posts and telecommunications economic management by way of correspondence. He graduated from Australian National University in October 2002 with a master's degree of international management, and from the Hong Kong Polytechnic University in October 2009 with a doctor's degree of management. He was recognized as a senior economist in January 1993 by the Professional Review Committee of Economics, Accounting and Statistics of Liaoning Posts and Telecommunications Administration.

Mr. Dong Xin (董昕), aged 52, has been a non-executive Director since May 2018. Mr. Dong successively served as deputy director and director of economic adjustment division of the department of economic adjustment and communications clearing of the former Ministry of Information Industry from September 1998 to June 2000. He successively served as general manager of the finance department and then the director of the treasury department of CMCC from June 2000 to March 2003; director, chairman and general manager of China Mobile Group Hainan Company Limited from March 2003 to August 2006; general manager of the planning department of CMCC from August 2006 to July 2010; director, chairman and general manager of China Mobile Group Henan Company Limited from July 2010 to February 2012; director, chairman and general manager of China Mobile Group Beijing Company Limited from February 2012 to August 2013; and general legal counsel of CMCC from March 2016 to September 2018. He has been deputy general manager of CMCC since August 2013, and executive director, vice president and chief financial officer of China Mobile since March 2017.

Mr. Dong graduated from Beijing Institute of Posts and Telecommunications (renamed as Beijing University of Posts and Telecommunications in 1993) in July 1989 and majored in posts and telecommunications administration engineering. He graduated from Australian National University in October 2002 with a master's degree of international management. He graduated from Rennes School of Business, France in June 2008 with a doctor's degree of business administration. He was recognized as a senior engineer in November 2007 by CMCC and senior accountant in September 1998 by personnel division of Ministry of Posts and Telecommunications.

Mr. Shao Guanglu (邵廣祿), aged 54, has been a non-executive Director since July 2014. Mr. Shao successively served in several positions with China United Telecommunications Corporation (the predecessor of CUC), including deputy general manager of the Tianjin branch from September 2001 to March 2005, deputy general manager of the Henan branch from March 2005 to November 2006 and general manager of Guangxi Branch from November 2006 to November 2008. He successively served in several positions with CUC, including general manager of the human resource department from November 2008 to March 2011 and deputy general manager since March 2011. Mr. Shao successively served in several positions with China Unicom, including senior vice president since April 2011 and executive director since March 2017. He served as director of China Unicom A Share Company from April 2016 to February 2018, non-executive Director of PCCW Limited since March 2017 and non-executive Director of CCS since June 2017.

Mr. Shao graduated from Harbin Institute of Technology and obtained a bachelor's degree of engineering in July 1985, a master's degree of engineering in July 1988 and a master's degree of economics in July 1990. He graduated from BI Norwegian Business School in September 2001 with a master's degree of management, and graduated from Nankai University in Tianjin, PRC in December 2009 with a doctor' s degree of management. He was recognized as a professor-level senior engineer in November 2017 by SASAC. He is a member of the strategy committee of GSM Association, a member of the board of directors of Open Networking Foundation, vice president of China Information Technology Industry Federation and deputy director of Communications Science and Technology Committee of MIIT.

Mr. Zhang Zhiyong (張志勇), aged 53, has been a non-executive Director since May 2018. Mr. Zhang served as director of Qinhuangdao Telecommunications Bureau from November 1999 to July 2000, general manager of Qinhuangdao Branch of Hebei Telecom Company Limited from July 2000 to June 2002, deputy general manager of Beijing Telecom Company Limited from June 2002 to December 2002, and manager of the industry management department of CTC from December 2002 to June 2010. He successively served in several positions with CCS, including deputy general manager from October 2006 to January 2008, executive director from August 2007 to June 2010 and general manager from January 2008 and June 2010. He successively served in several positions with China Telecom, including general manager of Xinjiang Branch from June 2010 to March 2014, and general manager of Beijing Branch from March 2014 to November 2017. He has been vice president of CTC since November 2017, chairman of the board and executive director of directors of CCS since March 2018 and executive vice president of China Telecom since July 2018.

Mr. Zhang graduated from Changchun Institute of Posts and Telecommunications (which was merged into Jilin University in 2000) in July 1986 with a bachelor's degree of wireless communications. He graduated from Yanshan University in Qinhuangdao, PRC in July 2002 with a master's degree of engineering. He also graduated from BI Norwegian Business School in August 2005 with a master's degree in management.

Mr. Su Li (蘇力), aged 62, has been an independent non-executive Director since May 2018. Mr. Su successively served as head of the power grid engineering office of the engineering and construction bureau, deputy director of the power grid construction department and deputy general manager of the power grid construction branch of the State Power Corporation from August 1997 to January 2001, and deputy general manager of Shandong Power Corporation from January 2001 to January 2003. He successively served in several positions with the China Power Investment Corporation, including manager of the engineering department from January 2003 to January 2007, chief engineer (infrastructure) and manager of the engineering department and from January 2007 to September 2007, chief infrastructure engineer from September 2007 to February 2009 and deputy general manager from February 2009 to June 2015. He has been external director of the State Development and Investment Corporation since February 2017 and external director of China Aviation Supplies Holding Company since September 2017.

Mr. Su graduated from Nanjing Institute of Technology (renamed as Southeast University in 1988) in January 1982 with a bachelor's degree of engineering in power generation plants and power systems. He has been a recipient of a special government allowance by the State Council since October 2005.

Mr. Fan Cheng (樊澄), aged 63, has been an independent non-executive Director since May 2018. Mr. Fan served as deputy general manager of New Technology Venture Capital Company from September 1996 to March 2001. Mr. Fan successively served in several positions with China National Aviation Holding Company, including officer of the reorganisation office from March 2001 to December 2002, general manager of the corporate management department from December 2002 to August 2003, and general manager of the capital operation department from August 2003 to September 2004. He successively served in several positions with Air China Limited, including director, secretary of the board of directors and chief accountant from September 2004 to January 2005, director and chief accountant from January 2005 to October 2006, director, vice president and chief accountant from October 2006 to February 2011, vice president and chief accountant from February 2011 to July 2014, and vice president from July 2014 to March 2016. Mr. Fan successively served in several positions with Shenzhen Airlines Company Limited, including vice chairman of the board of directors from January 2005 to April 2010 and chairman of the board of directors from April 2010 to May 2010. He has been external director of China Aviation Supplies Holding Company since September 2017 and external director of Xinxing Cathay International Group Co., Ltd since January 2018.

Mr. Fan graduated from Nanjing Institute of Chemical Technology (renamed as Nanjing University of Technology in 2001) in February 1982 with a bachelor's degree of general organic chemical industry. He graduated from Peking University in July 2000 with an MBA degree (part time). He was recognized as a senior engineer in April 1996 by the State Scientific and Technological Commission, senior accountant in August 1997 by the Ministry of Finance and Certified Public Accountant by the Chinese Institute of Certified Public Accountants.

Mr. Tse Yung Hoi (謝湧海), aged 66, has been an independent non-executive Director since May 2018. Mr. Tse has been serving in several positions with BOCI Prudential Asset-Management Limited, including director since January 2003 and chairman of the board of directors since September 2004. Before that, he served as deputy general manager of the investment management department and capital department of Bank of China from October 1998 to December 2002. He served as deputy chief executive officer of BOC International Holding Limited from December 2002 to December 2012. He has also been served as independent non-executive director of BOCOM International Holdings Company Limited since June 2014, independent non-executive director of HJ Capital (International) Holdings Company Limited since July 2014, independent non-executive director of Guoan International Limited since March 2016, independent non-executive director of DTXS Silk Road Investment Holdings Company Limited since November 2017 and independent non-executive director of Vico International Holdings Limited since January 2018. He served as independent non-executive director of Huarong International Financial Holdings Limited from October 2015 to June 2016, and non-executive director of DTXS Silk Road Investment Holdings Company Limited from December 2015 to November 2017.

Mr. Tse graduated from Fudan University in Shanghai, PRC in July 1975 and majored in English. He was awarded the Bronze Bauhinia Star (BBS) by the government of Hong Kong in July 2013. He also serves as a council member of HKSAR Financial Services Development Council (FSDC), life honorary president of Hong Kong Chinese Securities Association and a standing committee member of the Chinese General Chamber of Commerce. He was a member of the 12th Chinese People's Political Consultative Conference Shanghai Committee.

Supervisors

Mr. Li Wenmin (李文民), aged 55, has been the Chairman of the Supervisory Committee since May 2018. He served as general manager of the business cooperation department of the Company from November 2014 to October 2016, director of CPC working group of the Company from October 2016 to June 2017, and vice chairman of the labor union of the Company and director of CPC working group since June 2017. He successively served in several positions with Shandong Posts Bureau, including director of the engineering and construction department from January 1999 to December 1999, assistant to director and head of the information technology department from January 2000 to August 2001 and deputy director from August 2001 to November 2006. He successively served in several positions with the network operation department of China Post Group Corporation, including deputy general manager from December 2006 to July 2007 and general manager from July 2007 to May 2012. Mr. Li also served as general manager of Jilin Post Company from May 2012 to November 2014.

Mr. Li graduated from Nanjing Institute of Posts and Telecommunications (renamed as Nanjing University of Posts and Telecommunications in 2005) in July 1983 and majored in telecommunications engineering. He was recognized as a senior engineer in January 1995 by Shandong Posts and Telecommunications Administration.

Ms. Gao Lingling (高玲玲), aged 56, has been a Supervisor since July 2014. Ms. Gao successively served in several positions with CMCC, including director of the capital and asset division from June 2000 to September 2000, manager of the capital and asset division from September 2000 to April 2006, deputy general manager of the finance department and director of capital allocation center from April 2006 to September 2007, deputy general manager of the internal audit department from September 2007 to June 2010, and general manager of the internal audit department since June 2010. She has been general manager of the internal audit department of China Mobile since September 2007 and has been supervisor of USTC iFlytek Co., Ltd. since January 2013.

Ms. Gao graduated from Beijing Institute of Posts and Telecommunications (renamed as Beijing University of Posts and Telecommunications in 1993) in July 1984 with a bachelor's degree of engineering and majored in posts and telecommunications management engineering and graduated from the University of Maryland in the United States in June 2004 with an MBA degree. She was recognized as a senior accountant in September 1998 by the personnel division of the Ministry of Posts and Telecommunications.

Ms. Guo Xiaolin (郭小林), aged 52, has been a Supervisor since July 2014. Ms. Guo served as deputy director of the finance department of Directorate General of Telecommunications of the Ministry of Posts and Telecommunications from October 1998 to May 2002. She successively served in several positions with China Network Communications Group Corporation, including manager of the capital and asset division of the planning and finance department from October 1998 to May 2002, deputy general manager of the audit department from November 2003 to December 2006 and general manager of the audit department from December 2006 to November 2008. She then successively served in several positions with CUC, including general manager of the risk management department from November 2008 to April 2010, general manager of the legal and risk management department from April 2010 to April 2012 and general manager of the audit department since April 2012.

Ms. Guo graduated from Peking University in July 2006 with an EMBA degree. She was recognized as a senior accountant in May 1997 by the personnel division of Ministry of Posts and Telecommunications.

Mr. Sui Yixun (隋以勛), aged 55, has been a Supervisor since May 2018. Mr. Sui served as deputy manager of Shandong Posts and Telecommunications Equipment Company and deputy director of the material supply department of Shandong Posts and Telecommunications Administration from October 1995 to June 2000. He served as office director and director of the market regulation department of Shandong Communications Administration Bureau from June 2000 to July 2002. Mr. Sui successively served in several positions with Shandong Telecom Company Limited, including member of the preparatory team from July 2002 to September 2002, deputy general manager from September 2002 to September 2003, and deputy general manager and labor union preparatory team leader from September 2003 to May 2004. He successively served in several positions with CTC Group, including deputy general manager of Northern Telecom Company Limited from May 2004 to February 2008, general manager of Inner Mongolia Branch of China Telecom from February 2008 to November 2013 and general manager of the audit department since November 2013. He successively served in several positions with China Telecom, including general manager of Inner Mongolia Branch from February 2008 to November 2013, general manager of the audit department since November 2013 and chairman of the supervisory committee since March 2015.

Mr. Sui graduated from Beijing Institute of Posts and Telecommunications (renamed as Beijing University of Posts and Telecommunications in 1993) in July 1984 with a bachelor's degree of engineering and majored in posts and telecommunications management engineering, and graduated from Tsinghua University in July 2005 with an EMBA degree. Mr. Sui was recognized as a senior economist in December 1997 by Shandong Posts and Telecommunications Administration.

Mr. Wang Zhixue (王志學), aged 36, has been a Supervisor since May 2018. Mr. Wang served as staff member of Economy Technology Research Institute of China Petrochemical Corporation from July 2005 to December 2006, staff member of Beijing Zhongxing Xinshiji accounting firm from December 2006 to March 2008, during which he served in the property rights administration bureau of the SASAC on secondment from December 2006 to March 2008. He served with SOE Performance Evaluation Center of SASAC from March 2008 to May 2015, during which he served as senior staff member from May 2014 to May 2015. He successively served in several positions with the asset management department (renamed as capital operation management department) of China Reform, including manager from May 2015 to November 2015, senior manager from November 2015 to July 2017, and deputy general manager from July 2017 to January 2018. He was deputy general manager of the capital operation management department and deputy general manager of the investment development department of China Reform from January 2018 to February 2019 and has been general manager of the capital operation management department and general manager of the investment development department of China Reform since February 2019. Mr. Wang has been director of China Reform Culture Holdings Co., Ltd., since March 2018.

Mr. Wang graduated from Beijing Forestry University in July 2005 with a bachelor's degree of management and majored in accounting. He was recognized as an intermediate economist in April 2011 by Beijing Municipal Bureau of Human Resources and Social Security.

Mr. Wang Hongwei (王宏偉), aged 52, has been a Supervisor since May 2018. He served as senior director of the human resources department of the Company from November 2014 to April 2017, deputy general manager of the human resources department of the Company from April 2017 to June 2017 and has been deputy general manager of the audit department of the Company since June 2017. Mr. Wang successively served in several positions with China United Telecommunications Corporation (the predecessor of CUC), including deputy manager of the remuneration welfare division of the human resources department from August 2000 to May 2002, manager of the general division of human resources department from May 2002 to August 2003, director of the human resources department of Guangdong branch from August 2003 to December 2005, manager of the labor capital division of the human resources department from January 2006 to November 2008. He served as manager of the remuneration welfare and long-term incentive division of the human resources department of CUC from December 2008 to November 2014.

Mr. Wang graduated from Renmin University of China in July 1989 and majored in labor economics. He was recognized as an intermediate economist in April 1994 by the Ministry of Personnel.

Senior Management

Mr. Tong Jilu (佟吉祿)
(Please refer to the "Directors" section)

Mr. Gu Xiaomin (顧曉敏), aged 55, has been a deputy general manager of the Company since August 2014 and the chairman of the labor union of the Company since June 2017. Mr. Gu successively served in several positions with Ministry of Posts and Telecommunications, including senior staff member of the staff education division of the education department from February 1996 to November 1997, and senior staff member of the secretary division of the general affairs office from November 1997 to September 1998. He successively served in several positions with the minister's office of general affairs office of Ministry of Information Industry, including senior staff member from September 1998 to December 1998, and secretary of a deputy division director level from December 1998 to February 1999. He successively served in several positions with China United Telecommunications Corporation (the predecessor of CUC), including secretary to the chairman of the board of directors from February 1999 to August 2000, secretary of manager-level from August 2000 to August 2001, deputy general manager of Jiangsu Branch from August 2001 to January 2004, general manager of Yunnan Branch from January 2004 to February 2006, and general manager of the finance department from February 2006 to November 2008. He successively served in several positions with CUC, including officer in charge of the planning and management department from December 2008 to February 2009, general manager of the planning and management department from February 2009 to April 2010, general manager of the market department from April 2010 to April 2012, and deputy general manager of network branch and general manager of the operation and maintenance department of network branch from April 2012 to September 2014.

Mr. Gu graduated from Nanjing Institute of Posts and Telecommunications (renamed as Nanjing University of Posts and Telecommunications in 2005) in July 1985 with a bachelor's degree of engineering and majored in radio engineering, from Shanghai Jiao Tong University in July 1987 with a bachelor's degree of law, from Peking University in May 2001 and majored in EMBA, from the Australian National University in December 2003 with a master's degree of international management and from Rennes School of Business, France in June 2008 with a doctor's degree of business administration. Mr. Gu was recognized as a senior engineer in September 1998 by Ministry of Posts and Telecommunications.

Mr. Gao Chunlei (高春雷), aged 52, has been the chief accountant of the Company since August 2014. Mr. Gao served as deputy director of Posts and Telecommunications Bureau of Jingsha (renamed as Jingzhou afterwards), Hubei from February 1996 to January 1997, deputy director of Posts and Telecommunications Bureau of Jingzhou, Hubei from January 1997 to December 1998, deputy director of Telecommunications Bureau of Jingzhou, Hubei from December 1998 to June 2000. He served as vice director of the planning and finance department of Hubei Telecommunications Corporation from June 2000 to April 2003, deputy general manager of Hubei Telecommunications Corporation from April 2003 to November 2005 (during which he served as director and deputy general manager of Hubei Telecom Company Limited from April 2003 to March 2004), deputy general manager and chief accountant of Hubei Telecommunications Corporation and director, deputy general manager and chief accountant of Hubei Telecom Company Limited from November 2005 to April 2008, deputy general manager and chief financial officer of Hubei branch of China Telecom and deputy general manager and chief accountant of China Telecom Group Hubei Corporation from April 2008 to February 2012, and general manager of China Telecom Heilongjiang branch, general manager of Heilongjiang branch of CTC and general manager of Heilongjiang network assets branch of CTC from February 2012 to August 2014.

Mr. Gao graduated from Beijing Institute of Posts and Telecommunications (renamed as Beijing University of Posts and Telecommunications in 1993) in July 1988 and majored in management engineering, from Australian National University in December 2005 with an MBA degree, and from Rennes School of Business, France with a doctor's degree of business administration in May 2012. Mr. Gao was recognized as a senior economist in November 1997 by Hubei Posts and Telecommunications Administration and a chief accountant in August 2009 by China Associate of Chief Financial Officers.

Mr. Sun Baotian (孫寶田), aged 56, has been a member of the senior management of the Company since November 2016. Mr. Sun successively served in several positions with China Hydro Power Construction Company, including deputy head and head of the department of labor and education from October 1994 to October 2000, head of the discipline inspection and supervision department from October 2000 to February 2001 and deputy leader of the discipline inspection team and head of the supervision department from February 2001 to September 2003. He successively served in several positions with Sinohydro Corporation, including deputy leader of the discipline inspection team and head of the supervision department from September 2003 to February 2006, deputy secretary of the provisional discipline committee and head of the supervision department from February 2006 to February 2007, deputy secretary and head of the supervision department from February 2007 to January 2010. He successively served in several positions with Sinohydro Group Limited (renamed as Power Construction Corporation Of China, Ltd. in January 2014), including deputy secretary of the discipline committee, head of the supervision department and supervisor from January 2010 to December 2012, deputy secretary of the Party Committee, secretary of the discipline committee and supervisor from December 2012 to May 2013, deputy secretary of the Party Committee, secretary of the discipline committee and chairman of the Supervisory Committee from May 2013 to February 2014, deputy secretary of the discipline committee and chairman of the Supervisory Committee from February 2014 to June 2014, and deputy secretary of the discipline committee from June 2014 to October 2014. He served as deputy secretary of the discipline committee of Power Construction Corporation of China from October 2014 to November 2016.

Mr. Sun graduated from the Party School of the Central Committee of the Communist Party of China in Beijing, PRC in December 2000 and majored in economics and management by way of correspondence. He was recognized as economist and senior economist by the review committee for Senior Economists of China Hydro Power Construction Company in October 1993 and October 1998, respectively.

Report of the Directors

The board of directors of China Tower Corporation Limited is pleased to present the Report of the Directors of the Company, together with the audited consolidated financial statements of the Group prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2018.

Principal Businesses

The principal activities of the Group are the construction and operation of telecommunications towers, the provision of telecommunications tower site space; the provision of maintenance services and power services; the provision of indoor distributed antenna systems and other trans-sector site application and information services. The provision of site space, the maintenance services and the power services relying on tower sites are collectively referred to as the "Tower business". The Group's headquarter is located in Beijing, China with 31 provincial branches operating across the mainland China.

Results

Results of the Group for the year ended 31 December 2018 and the financial position of the Group as at that date are set out in the audited consolidated financial statements on pages 113 to 166 in this annual report.

Annual General Meeting

The Company will hold the 2018 AGM on 18 April 2019. Please refer to the notice of the 2018 AGM on the website of the Company (www.china-tower.com) and the website of the Hong Kong Stock Exchange (www.hkexnews.hk).

Dividend

The Company has placed great importance on the returns to shareholders. The Company shall implement the continuing dividend policy, and take into account the following issues when forming the proposals for dividend distribution:

(a) dividends declared and paid by global telecommunications tower infrastructure companies;

(b) the Company's results of operations, cash flows and financial condition;

(c) operating and capital expenditures requirements;

(d) the amount of distributable profits determined according to accounting principles generally accepted in the PRC or International Financial Reporting Standards, whichever is lower;

(e) other factors that the Board may consider relevant.

After taking into account the aforesaid factors, 50% of the Company's annual distributable net profit or more shall be used for dividend distribution; The Company shall declare and pay dividends in form of cash or shares, and the payment of dividends shall be made at the Board's discretion and subject to approval by the shareholders.

The proposal for general dividend policy of the Company will be proposed to the 2018 AGM for the Shareholders' consideration.

The Board proposes a final dividend of RMB0.225 per 100 Share (pre-tax) for the year ended 31 December 2018. The dividend proposal will be proposed to the 2018 AGM for the Shareholders' consideration. Dividends will be denominated and declared in Renminbi. The proposed dividends are expected to be paid on or about 28 June 2019 upon approval at the 2018 AGM.

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

Under the requirements of the Law of the People's Republic of China on Enterprise Income Tax《中華人民共和國企業所得稅法》, the Regulations for the Implementation of the Law of the People's Republic of China on Enterprise Income Tax《中華人民共和國企業所得稅法實施條例》implemented in 2008, the Company has the obligation to withhold enterprise income tax at a rate of 10% on dividends when it pays the proposed final dividend for 2018 to its H share shareholders who are overseas non-resident enterprises (including HKSCC Nominees Limited, other institutional nominees and trustees, or other organizations or groups) listed on the H Share register of members on 7 May 2019.

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

The Company will determine the country of domicile of the individual H share shareholders based on the registered address as recorded in the H share register of members of the Company on 7 May 2019. If the country of domicile of an individual H share shareholder is not the same as the registered address or if the individual H share shareholder would like to apply for a refund of the additional amount of tax finally withheld and paid, the individual H share shareholder shall notify and provide relevant supporting documents to the Company on or before 30 April 2019. Upon examination of the supporting documents by the relevant tax authorities, the Company will follow the guidance given by the tax authorities to implement relevant tax withholding and payment provisions and arrangements. Individual H share shareholders may either personally or appoint a representative to attend to the procedures in accordance with the requirements under the tax treaties notice if they do not provide the relevant supporting documents to the Company within the time period stated above.

For Southbound Investors (including enterprises and individuals), the Shanghai branch of China Securities Depository and Clearing Corporation Limited and the Shenzhen branch of China Securities Depository and Clearing Corporation Limited, as the nominees of the shareholders of the Southbound Trading, will receive all dividends distributed by the Company and will distribute the dividends to the relevant shareholders under the Southbound Trading through its depositary and clearing system. According to the relevant provisions under the "Notice on Taxation Policies for Shanghai-Hong Kong Stock Connect Pilot Programme (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》) (Cai Shui [2014] No. 81)" and "Notice on Taxation Policies for Shenzhen-Hong Kong Stock Connect Pilot Programme (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》) (Cai Shui [2016] No. 127)", the Company shall withhold individual income tax at the rate of 20% with respect to dividends received by the Mainland individual investors for investing in the H Shares of the Company listed on the Hong Kong Stock Exchange through the Southbound Trading. In respect of the dividends for the investment of Mainland securities investment funds in the H Shares of the Company listed on Hong Kong Stock Exchange through the Southbound Trading, the tax levied on dividends derived from such investment shall be ascertained by reference to the rules applicable to the treatment of individual income tax. The Company is not required to withhold income tax on dividends derived by the Mainland enterprise investors under the Southbound Trading, and such enterprises shall report the income and make tax payment by themselves. The record date for entitlement to the shareholders' rights and the relevant arrangements of dividend distribution for the Southbound Investors are the same as those for the Company's H share shareholders.

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

Closure of Register of Members

For the purpose of ascertaining the H share shareholders' rights to attend and vote at the 2018 AGM (and any adjournment thereof), and entitlement to the 2018 final dividend, the H Share register of members of the Company will be closed. Details of such closures are set out below:

(1) For ascertaining the H share shareholders' rights to attend and vote at the 2018 AGM (and any adjournment thereof)

Latest time to lodge transfer documents for registration	4:30 p.m. on 18 March 2019
Closure of register of members (both inclusive)	19 March 2019 to 18 April 2019
Record date	18 April 2019

(2) For ascertaining the H share shareholders' entitlement to the 2018 final dividend

Latest time to lodge transfer documents for registration	4:30 p.m. on 30 April 2019
Closure of register of members (both inclusive)	2 May 2019 to 7 May 2019
Record date	7 May 2019

During the above closure periods, no transfer of H Shares will be registered. To be eligible to attend and vote at the 2018 AGM, and to qualify for the 2018 final dividend, all transfer documents, accompanied by the relevant certificates, must be lodged with the Company's H Share registrar, Computershare Hong Kong Investor Service Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, by no later than the aforementioned latest times.

Directors of the Company

The following table sets out information concerning the Directors of the Company as at the date of this report:

Name	Position	Date of the first appointment as a Director
Tong Jilu	Chairman of the Board, executive Director and general manager	15 July 2014
Dong Xin	Non-executive Director	3 May 2018
Shao Guanglu	Non-executive Director	15 July 2014
Zhang Zhiyong	Non-executive Director	3 May 2018
Su Li	Independent non-executive Director	3 May 2018
Fan Cheng	Independent non-executive Director	3 May 2018
Tse Yung Hoi	Independent non-executive Director	3 May 2018

On 21 March 2018, Mr Liu Aili, the first chairman of the first session of the Board, resigned from the positions of the chairman of the Board and a Director due to change of work arrangement. On the same day, Mr. Tong Jilu was elected as the chairman of the Board.

On 3 May 2018, the Company conducted the election in relation to change of Board session; Mr. Tong Jilu, Mr. Wang Lei, Ms. Zhao Fang, Mr. Shao Guanglu, Mr. Li Zhangting, Mr. Sun Kangmin, Mr. Si Furong, and Mr. Mo Dewang, the members of the first session of the Board, retired. Mr. Tong Jilu and Mr. Shao Guanglu were elected to continue to hold the positions of Directors of the second session of the Board at the general meeting convened on 3 May 2018. On the same day, Mr. Dong Xin, Mr. Zhang Zhiyong, Mr. Su Li, Mr. Fan Cheng and Mr. Tse Yung Hoi were elected as Directors of the second session of the Board at the general meeting, with their respective term of office commencing from 3 May 2018. Mr. Tong Jilu was elected as the chairman of the second session of the Board on 3 May 2018.

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the independent non-executive Directors are independent.

Supervisors of the Company

The following table sets out information concerning the supervisors of the Company as at the date of this report:

Name	Position	Date of the first appointment as a Supervisor
Li Wenmin	Chairman of the supervisory committee, employee representative Supervisor	3 May 2018
Gao Lingling	Shareholder representative Supervisor	15 July 2014
Guo Xiaolin	Shareholder representative Supervisor	15 July 2014
Sui Yixun	Shareholder representative Supervisor	3 May 2018
Wang Zhixue	Shareholder representative Supervisor	3 May 2018
Wang Hongwei	Employee representative Supervisor	3 May 2018

On 3 May 2018, the Company conducted the election in relation to the change of session of the Supervisory Committee of the Company. Mr. Ke Ruiwen, Ms. Gao Lingling and Ms. Guo Xiaolin, the members of the first session of the Supervisory Committee which are all shareholder representative Supervisors, retired. On the same day, Ms. Gao Lingling, Ms. Guo Xiaolin, Mr. Sui Yixun and Mr. Wang Zhixue were elected to hold the positions of shareholder representative Supervisors of the second session of the Supervisory Committee at the general meeting convened on that date and formed the second session of the Supervisory Committee jointly with Mr. Li Wenmin and Mr Wang Hongwei, both being employee representative Supervisors of the second session of the Supervisory Committee elected as such positions by way of the employees' democratic election conducted by the Company on 12 April 2018, to perform their supervisory duties. The respective term of office of each Supervisor shall commence on 3 May 2018.

Mr. Li Wenmin was appointed as the chairman of the second session of the Supervisory Committee on 3 May 2018.

Profiles of the Directors and the Supervisors are set out in the "Profiles of Directors, Supervisors and Senior Management" section of this annual report.

Directors' and Supervisors' Service Contracts

Each of the Directors and Supervisors has entered into a service contract with the Company, for a term of 3 years from the date of appointment until the end of the term of such session of the Board or the Supervisory Committee, and is eligible for re-election upon expiry of his/her term of office. The service agreements do not contain a term that the Company is required to pay the compensation (other than statutory compensation) if the Company terminates the contract within a year.

Share Capital

The Company was established by three communication service providers in China, i.e. China Mobile Company, China Unicom Corporation and China Telecom (Three TSPs) as a joint stock limited liability company under the Company Law of the PRC on 15 July 2014 in the PRC, with a total registered capital of RMB10,000 million. Upon its establishment, China Mobile Company, China Unicom Corporation and China Telecom subscribed for 4,000 million shares, 3,010 million shares and 2,990 million shares of the Company respectively, in cash at a par value of RMB1.00 per Share, which accounted for 40%, 30.1% and 29.9% of equity interests in the Company respectively on the date of establishment.

In 2015, the Company issued new shares to the Three TSPs and China Reform. The share capital of the Company was increased to RMB129,344,615,024.

On 8 August 2018, the Company completed its H Shares global offering with an issuance and allotment of 43,114,800,000 new H Shares on the Main Board of The Stock Exchange of Hong Kong Limited in aggregate, and the offer price was HK$1.26 per Share. The joint representatives of the global offering exercised part of the over-allotment option on 30 August 2018, pursuant to which, the Company issued and allotted an addition of 3,549,056,000 new H Shares with an offer price of HK$1.26 per Share on 6 September 2018.

As at 31 December 2018, the registered share capital of the Company was RMB176,008,471,024, divided into 176,008,471,024 Shares of par value RMB1.00 per Share. The share capital of the Company is as follows:

Shares	Number of Shares	Approximate percentage of the issued share capital (%)
Domestic Shares (total number)	**129,344,615,024**	**73.49**
China Mobile Company	49,150,953,709	27.93
China Unicom Corporation	36,345,836,822	20.65
China Telecom	36,087,147,592	20.50
China Reform	7,760,676,901	4.41
H Shares (total number)	**46,663,856,000**	**26.51**
Total	**176,008,471,024**	**100.00**

Purchase, Sale or Redemption of the Company's Securities

Save as disclosed above, throughout the period from the Listing Date up to 31 December 2018, the Company has not purchased, sold or redeemed any of the Company's listed securities.

Material Interests and Short Positions in Shares and Underlying Shares of the Company

As at 31 December 2018, the interests or short position of persons who are entitled to exercise or control the exercise of 5% or more of the voting power at any of the Company's general meetings (excluding the Directors and Supervisors) in the shares or underlying shares of equity derivatives of the Company as recorded in the register required to be maintained under Section 336 of the provisions of Division 6 of Part XV of the SFO are as follows:

Name of shareholder	Nature of interest	Class of shares	Number of shares held[1]	Percentage of shares in the relevant class of shares of the Company (%)	Percentage of shares in the total shares in issue of the Company (%)
CMCC[2]	Interest held by controlled corporations	Domestic shares	49,150,953,709(L)	38.0%	27.9%
China Mobile (Hong Kong) Group Limited (中國移動(香港)集團有限公司)[2]	Interest held by controlled corporations	Domestic shares	49,150,953,709(L)	38.0%	27.9%
China Mobile Hong Kong (BVI) Limited (中國移動香港(BVI)有限公司)[2]	Interest held by controlled corporations	Domestic shares	49,150,953,709(L)	38.0%	27.9%

Name of shareholder	Nature of interest	Class of shares	Number of shares held[1]	Percentage of shares in the relevant class of shares of the Company (%)	Percentage of shares in the total shares in issue of the Company (%)
China Mobile[2]	Interest held by controlled corporations	Domestic shares	49,150,953,709(L)	38.0%	27.9%
China Mobile Communication (BVI) Limited (中國移動通信(BVI)有限公司)[2]	Interest held by controlled corporations	Domestic shares	49,150,953,709(L)	38.0%	27.9%
China Mobile Communication Company Limited (中國移動通信有限公司) ("China Mobile Company")[2]	Legal and beneficial owner	Domestic shares	49,150,953,709(L)	38.0%	27.9%
CUC[3]	Interest held by controlled corporations	Domestic shares	36,345,836,822(L)	28.1%	20.7%
China Unicom A Share Company[3]	Interest held by controlled corporations	Domestic shares	36,345,836,822(L)	28.1%	20.7%
China Unicom Group Corporation (BVI) Limited (中國聯通集團(BVI)有限公司)[3]	Interest held by controlled corporations	Domestic shares	36,345,836,822(L)	28.1%	20.7%
China Unicom (BVI) Limited (中國聯通(BVI)有限公司)[3]	Interest held by controlled corporations	Domestic shares	36,345,836,822(L)	28.1%	20.7%
China Unicom[3]	Interest held by controlled corporations	Domestic shares	36,345,836,822(L)	28.1%	20.7%
China Unicom Corporation[3]	Legal and beneficial owner	Domestic shares	36,345,836,822(L)	28.1%	20.7%
CTC[4]	Interest held by controlled corporations	Domestic shares	36,087,147,592(L)	27.9%	20.5%
China Telecom[4]	Legal and beneficial Owner	Domestic shares	36,087,147,592(L)	27.9%	20.5%
China Reform	Legal and beneficial owner	Domestic shares	7,760,676,901(L)	6.0%	4.4%
Citigroup Inc.	Interest held by controlled corporations/approved lending agent	H shares	4,938,251,354(L) 245,366,000(S) 4,640,259,354(P)	10.58% 0.52% 9.94%	2.81% 0.14% 2.64%
BlackRock, Inc.	Interest held by controlled corporations	H shares	2,899,013,226(L) 27,210,000(S)	6.21% 0.06%	1.65% 0.02%
GIC Private Limited	Investment manager	H shares	2,800,680,778(L)	6.00%	1.59%

Name of shareholder	Nature of interest	Class of shares	Number of shares held[1]	Percentage of shares in the relevant class of shares of the Company (%)	Percentage of shares in the total shares in issue of the Company (%)
Hillhouse Capital Management, Ltd.[5]	Investment manager	H shares	2,522,704,000(L)	5.41%	1.43%
Coleman III Charles P.[6]	Interest held by controlled corporations	H shares	2,479,100,000(L)	5.31%	1.41%
Shleifer Scott[6]	Interest held by controlled corporations	H shares	2,479,100,000(L)	5.31%	1.41%
Tiger Global Management, LLC[6]	Investment manager	H shares	2,479,100,000(L)	5.31%	1.41%
Tiger Global Performance, LLC[6]	Interest held by controlled corporations	H shares	2,479,100,000(L)	5.31%	1.41%
Gaoling Fund, L.P.	Legal and beneficial owner	H shares	2,331,262,000(L)	5.00%	1.32%
Wellington Management Group LLP[7]	Investment manager	H shares	2,366,349,811(L) 818,000(S)	5.07% 0.00%	1.34% 0.00%

Notes:

(1) (L) – Long position ; (S) – Short position ; (P) – Interest in a lending pool

(2) By virtue of the SFO, each of CMCC, China Mobile (Hong Kong) Group Limited, China Mobile Hong Kong (BVI) Limited, China Mobile Communication (BVI) Limited and China Mobile is deemed to have an interest in the Shares held by China Mobile Company.

(3) By virtue of the SFO, each of CUC, China Unicom A Share Company, China Unicom (BVI) Limited, China Unicom Group Corporation (BVI) Limited and China Unicom is deemed to have an interest in the Shares held by China Unicom Corporation.

(4) By virtue of the SFO, CTC is deemed to have an interest in the Shares held by China Telecom.

(5) By virtue of the SFO, Hillhouse Capital Management Ltd., as an investment manager, is deemed to have an interest in the Shares held by Gaoling Fund, L.P., YHG Investment, L.P. and Hillhouse InRe Fund, L.P.

(6) By virtue of the SFO, Coleman III Charles P., Shleifer Scott, Tiger Global Management, LLC, as investment managers, and Tiger Global Performance, LLC are deemed to have an interest in the Shares held by Tiger Global Long Opportunities Master Fund, L.P. and Tiger Global Investments, L.P.

(7) By virtue of the SFO, Wellington Management Group LLP, as an investment manager, is deemed to have an interest in the Shares held by Wellington Management Hong Kong Ltd, Wellington Management Singapore Pte. Ltd., Wellington Management Company LLP, Wellington Management Global Holdings, Ltd., Wellington Investment Advisors Holdings LLP, Wellington Group Holdings LLP.

Save as disclosed above, as of 31 December 2018, in the register required to be maintained under Section 336 of the SFO, no other persons were recorded to hold any interests or short positions in the shares or underlying shares of equity derivatives of the Company.

Directors', Supervisors' and the Company's Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company

As at 31 December 2018, none of the Directors, Supervisors and chief executive of the Company had any interests and/or short positions in the shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

As at 31 December 2018, the Company has not granted its Directors, Supervisors or chief executive of the Company, or their respective spouses or children below the age of 18 any rights to subscribe for the shares or debentures of the Company or any of its associated corporations and none of them has ever exercised any such right to subscribe for the shares or debentures of the Company.

Directors' and Supervisors' Interests in Transactions, Arrangements or Contracts

Save for the transactions, arrangements or contracts set out in the sections titled "Management Discussion and Analysis", "Directors' and Supervisors' Service Contracts", "Major Customers and Suppliers" and "Continuing Connected Transactions" under "Report of the Directors" of this annual report and note 32 to the consolidated financial statements, no other transaction, arrangement or contract that is significant in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a person who was a Director or Supervisor of the Company or his or her connected entity had, directly or indirectly, a material interest subsisted at any time during the period from the Listing Date to 31 December 2018.

Remuneration of Directors and Supervisors

The remuneration of the Directors and Supervisors is determined with reference to the remuneration paid by relevant companies in the PRC telecommunications industry and the achievement of major operating indicators of the Company. The Directors and Supervisors who receive remuneration from the Company are paid in forms of salaries, allowances, social insurance, housing provident fund and corporate annuity.

Details of remuneration of all the Directors and Supervisors for 2018 are set out in note 7 to the audited consolidated financial statements for the year.

Permitted Indemnity

During the period from the Listing Date to 31 December 2018 and as at date of approval of this report, the Company has arranged appropriate insurance cover in respect of legal actions against the directors of the Group. Except for such insurances, the Company has no valid permitted indemnity provisions (as defined in Companies (Directors' Report) Regulation of the Chapter 622D of Hong Kong Laws) during the reporting period and at the time of approval of this report.

Material Acquisitions or Disposals

For the year ended 31 December 2018, the Company has no material acquisitions and disposals.

Public Float

As at the date of this annual report, based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules and as approved by the Hong Kong Stock Exchange.

Summary of Financial Information

The summary of the operating results, assets and liabilities of the Group for each of the four years ended 31 December 2018 are set out on pages 167 to 168 of this annual report.

Bank Loans and Other Borrowings

Details of bank loans and other borrowings of the Group are set out in note 24 of the audited consolidated financial statements for the year.

Capitalized Interest

Details of capitalized interest of the Group for the year ended 31 December 2018 are set out in note 10 of the audited consolidated financial statements for the year.

Fixed Assets

Details of the movement in fixed assets for the year ended 31 December 2018 are set out in note 13 of the audited consolidated financial statements for the year.

Reserves

According to the Article 159 of the Articles of Association, in addition to the PRC accounting standards and regulations, the financial statements of the Company shall also be prepared in accordance with the international accounting standards or the accounting standards of the place outside the PRC where the shares of the Company are listed. Any material discrepancy between the financial statements prepared in accordance with two different accounting standards shall be explained in the notes to the financial statements. Distribution of profits after tax of the relevant financial year shall be based on the lower of the profits after tax shown in the two financial statements mentioned above.

Distributable reserves of the Company as of 31 December 2018, calculated on the above basis and including the proposed final dividends for 2018, amounted to RMB720 million.

Details of the movement in reserves of the Company and the Group for the year ended 31 December 2018 are set out in note 23 of the audited consolidated financial statements for the year.

Equity-Linked Agreements

For the year ended 31 December 2018, the Company has not entered into any equity-linked agreement.

Donations

For the year ended 31 December 2018, the Group made charitable and other donations of a total amount of RMB6 million.

Subsidiary and Associated Company

Details of subsidiary of the Company and the associated company of the Group as at 31 December 2018 are set out in note 17 and note 18 of the audited consolidated financial statements for the year, respectively.

Changes In Equity

Please refer to the consolidated statement of changes in equity contained in the audited financial statements for the year (page 115 of this annual report).

Retirement Benefits

Details of the retirement benefits provided by the Group are set out in note 7 of the audited consolidated financial statements for the year.

Pre-Emptive Rights

There are no provisions for pre-emptive rights in the Articles of Association and the PRC laws requiring the Company to issue new shares to the existing Shareholders in proportion to their shareholdings.

Employees and Remuneration Policies

As at 31 December 2018, the Company had 23,371 staff, of which 18,039 staff were on contract basis while 5,332 staff were on other basis. Total staff costs for the year amounted to RMB4,917 million, which included wages, social insurance, housing provident fund, corporate supplemental insurance, expenses on benefits, working fund for labor union, education fund and labor security expenses.

The Company persists in establishing and optimizing a value-oriented unified remuneration system based on a proactive and effective incentive mechanism, materializing optimization of resources allocation and maximization of corporate efficiency; adhering to the philosophy of market allocation based on value of position, contribution in terms of capability and performance difference; maintaining competitiveness of remuneration, attracting, motivating and retaining core staff. Staff remuneration is mainly comprised of wages of different positions, wages in terms of performance, allowances and grants, and social insurance.

Major Customers and Suppliers

For the year ended 31 December 2018, the revenue from providing services to the Group's five largest customers (including China Mobile Company and its subsidiaries, China Telecom, China Unicom Corporation) accounted for 98.8% of total revenue of the Group for the full-year, while revenue from the largest customer accounted for 54.2% of total revenue of the Group for the full-year.

For the year ended 31 December 2018, procurements from the Group's five largest suppliers were less than 30% of total procurement expenditures and expenses of the Group. Procurement expenditures and expenses represent (i) the addition of property, plant and equipment, land use right and software in our consolidated statements of balance sheet on accrual basis, and (ii) site operating lease charges, repairs and maintenance and other operating expenses, which are expensed as incurred and recorded in our consolidated statements of comprehensive income on accrual basis.

So far is known to the Board, except for CMCC, China Mobile (Hong Kong) Group Limited, China Mobile Hong Kong (BVI) Limited, China Mobile Communication (BVI) Limited, China Mobile, China Mobile Company, CUC, China Unicom A Share Company, China Unicom (BVI) Limited, China Unicom Group Corporation (BVI) Limited and China Unicom, China Unicom Corporation, CTC, China Telecom (all of which are interested in more than 5% of the issued share capital of the Company, details are set out in "Report of the Directors – Material Interests and Short Positions in Shares and Underlying Shares of the Company" of this annual report), Mr. Dong Xin, Mr. Shao Guanglu, Mr. Zhang Zhiyong, Ms. Gao Lingling, Ms. Guo Xiaolin and Mr. Sui Yixun (their positions are set out in "Profiles of Directors, Supervisors and Senior Management" of this annual report), neither the Directors and Supervisors, their respective close associates, nor any Shareholders who own more than 5% of our issued share capital, had any interest in any of the above customers or suppliers.

Continuing Connected Transactions

China Mobile Company, China Unicom Corporation, and China Telecom are our substantial shareholders. Under the listing Rules, China Mobile Company, China Unicom Corporation and China Telecom and their respective associates are our connected persons.

The Company conducts certain transactions with the above connected persons in its ordinary course of business, and these transactions constitute our continuing connected transactions under the Listing Rules.

The details of the continuing connected transactions conducted by the Company during 2018 that are subject to reporting requirement are as follows:

A. Principal Services Provided to the Telecom Shareholders

During the reporting period, the Company provides relevant services of tower products, DAS products, transmission products and service products (the "Relevant Products") to each of the Telecom Shareholders and their respective branches or subsidiaries.

A.1. Principal services provided to China Mobile Company and its subsidiaries — **Subject to announcement, independent Shareholders' approval and annual caps requirements**

(1) service in relation to tower products

(2) service in relation to DAS products

(3) service in relation to transmission products

(4) service in relation to service products

A.2. Principal services provided to China Unicom Corporation — **Subject to announcement, independent Shareholders' approval and annual caps requirements**

(1) service in relation to tower products

(2) service in relation to DAS products

(3) service in relation to transmission products

(4) service in relation to service products

A.3. Principal services provided to China Telecom — **Subject to announcement, independent Shareholders' approval and annual caps requirements**

(1) service in relation to tower products

(2) service in relation to DAS products

(3) service in relation to transmission products

(4) service in relation to service products

Agreements related to the Principal Services Provided to the Telecom Shareholders

The Commercial Pricing Agreements, the Supplemental Agreements to the Commercial Pricing Agreements and the Service Agreements entered into between the Company and each of the Telecom Shareholders constitute the framework agreements of the Company currently effective at the headquarters level regulating the Principal Services Provided to the Telecom Shareholders.

Products and Services

Service in relation to tower products: the Company, to serve the needs for the space required for hosting telecommunications equipment of each of the Telecom Shareholders and their respective branches/subsidiaries, provides, constructs and maintains the tower products, including towers, shelters, and ancillary facilities, together with the provision of other services in connection therewith;

Service in relation to DAS products: the Company provides, constructs and maintains the DAS products, including the whole DAS, shelters and accessory facilities based on the needs of the Telecom Shareholders and their respective branches or subsidiaries for telecommunications signal feed-in and indoor extensive coverage, together with the provision of other services in connection therewith;

Service in relation to transmission products: the Company provides and constructs ducts, pole lines, optical fiber cable, public manholes in front of sites and exits and routes to sites together with other services in connection therewith for the Telecom Shareholders and their respective branches/ subsidiaries;

Service in relation to service products: the Company provides power supply and generation services to the Telecom Shareholders and their respective branches/subsidiaries in connection with the tower products and DAS products, which include power service, gasoline or diesel power generation service and extra battery assurance service.

Agreement Term and Service Period

The term of the Service Framework Agreements is from 1 January 2018 to 31 December 2022. The service period of the Relevant Products is generally five years.

Pricing Policy

The pricing of the Relevant Products is determined after arm's length negotiations by the relevant parties during the ordinary and usual course of business of the Company with reference to the construction cost, maintenance cost, site fee, management cost, operating cost, labor cost and appropriate profit margins, as applicable, of each of the Relevant Products.

For the details of the Principal Services provided to the Telecom Shareholders, including but not limited to the background of the Service Framework Agreements and the respective pricing policy of the relevant products, please refer to the prospectus of the Company dated 25 July 2018.

Transaction Amounts in 2018

The Company was granted a waiver from strict compliance with the annual cap requirement by the Hong Kong Stock Exchange, which allows us not to set annual caps for transactions contemplated under the Service Framework Agreements within their terms.

During the reporting period, the transaction amounts of the Principal Services Provided to the Telecom Shareholders and their respective branches or subsidiaries by the Company are as follows:

		Transaction amounts in 2018 (RMB in million)
A.1.	Transaction amount of the principal services provided to China Mobile Company and its subsidiaries	
	Revenue generated by the Group	
	(1) tower products	36,364
	(2) DAS products	1,037
	(3) transmission products	17
	(4) service products	1,442
	Total	38,860
	Year ended balance of the advances made by the Group in relation to services of paying electricity fee on behalf of customer	3,520
A.2.	Transaction amount of the principal services provided to China Unicom Corporation	
	Revenue generated by the Group	
	(1) tower products	14,643
	(2) DAS products	342
	(3) transmission products	6
	(4) service products	765
	Total	15,756
	Year ended balance of the advances made by the Group in relation to services of paying electricity fee on behalf of customer	1,019

	Transaction amounts in 2018 (RMB in million)
A.3. Transaction amount of the principal services provided to China Telecom	
Revenue generated by the Group	
(1) tower products	14,984
(2) DAS products	440
(3) transmission products	12
(4) service products	600
Total	16,036
Year ended balance of the advances made by the Group in relation to services of paying electricity fee on behalf of customer	992

B. Property Leasing from Each of the Telecom Group Companies and Their Respective Associates

During the reporting period, the Company leased certain properties from each of the Telecom Group Companies and their respective associates.

B.1.	Property leasing from CMCC and its associates	Subject to announcement requirement
B.2.	Property leasing from CUC and its associates	Subject to announcement requirement
B.3.	Property leasing from CTC and its associates	Subject to announcement requirement

Property Lease Framework Agreements with each of the Telecom Group Companies

The Company entered into the Property Lease Framework Agreements with each of the Telecom Group Companies on substantially the same terms and conditions on 15 July 2018, pursuant to which the Company may lease certain properties from each of the Telecom Group Companies and their respective associates. The Telecom Group Companies and their respective associates shall enter into separate agreements with the Company or its relevant provincial branches, which shall set out specific terms and conditions pursuant to the principles and conditions provided in the Property Lease Framework Agreements.

Service Provided

Pursuant to the Property Lease Framework Agreements, the properties to be leased from each of the Telecom Group Companies and their respective associates include buildings and land. Each of the Telecom Group Companies and their respective associates also provide relevant property management services in relation to some of the properties leased to the Company.

Service Period

The Property Lease Framework Agreements are valid from the Listing Date to 31 December 2020 and are renewable upon mutual agreement of both parties.

Pricing Policy

Under the Property Lease Framework Agreements, the rents and management fees shall be determined and paid as follows:

- the rents of office buildings will be determined with reference to the market price at the time of signing individual agreements. If there is no market price or the market price cannot be determined, the rents and management fees will be determined by the parties with reference to reasonable costs, taxes payable and fees and reasonable profits;
- the rents of buildings and land used for the Company's construction and operation (sites) will be determined with reference to the market price at the time of signing individual agreements. If there is no market price or the market price cannot be determined, the rents and management fees will be determined by the parties with reference to reasonable costs, taxes payable and fees and reasonable profits;
- during the leasing term of each individual leased property, the management fees, including but not limited to, property fees, water fees, electricity fees, cleaning fees, air-conditioning fees, heating fees, parking fees and other fees related to the use of the leased property, will be determined by the parties with reference to the market price of similar property management service at the time of signing individual agreements; and
- the relevant standard for the rents will be regularly reviewed and adjusted according to individual agreements.

Annual Caps and Transaction Amounts in 2018

During the reporting period, the following non-de minimis continuing connected transactions of the Company has not exceeded their respective annual caps:

B.1. For properties leased from CMCC and its associates

		Annual caps for 2018 (RMB in million)	Transaction amounts in 2018 (RMB in million)
Office buildings	Rents	N/A	3
	Management fees	N/A	3
	Subtotal	**16**	**6**
Sites	Rents	245	135
	Subtotal	**245**	**135**
Total		**261**	**141**

B.2. For properties leased from CUC and its associates

		Annual caps for 2018 (RMB in million)	Transaction amounts in 2018 (RMB in million)
Office buildings	Rents	N/A	14
	Management fees	N/A	4
	Subtotal	**28**	**18**
Sites	Rents	95	93
	Subtotal	**95**	**93**
Total		**123**	**111**

B.3. For properties leased from CTC and its associates

		Annual caps for 2018 (RMB in million)	Transaction amounts in 2018 (RMB in million)
Office buildings	Rents	N/A	67
	Management fees	N/A	18
	Subtotal	**190**	**85**
Sites	Rents	274	180
	Subtotal	**274**	**180**
Total		**464**	**265**

C. Non-Telecommunications Services Provided by Each of the Telecom Group Companies and their Respective Associates

During the reporting period, the Company procured the relevant non-telecommunications services from each of the Telecom Group Companies and their respective associates.

C.1.	Construction, design, supervision, outsourcing maintenance, intermediary, supply chain and training services provided by CMCC and its associates	Subject to announcement requirement
C.2.	Construction, design, supervision, outsourcing maintenance, intermediary, supply chain and training services provided by CUC and its associates	Subject to announcement requirement
C.3.	Construction, design, supervision, outsourcing maintenance, intermediary, supply chain and training services provided by CTC and its associates	Subject to announcement and independent shareholders' approval requirements

Service Supply Framework Agreement with each of the Telecom Group Companies

The Company entered into the Service Supply Framework Agreements with each of the Telecom Group Companies, on substantially the same terms and conditions, on 15 July 2018, pursuant to which the associates of each of the Telecom Group Companies will provide construction, design, supervision, outsourcing maintenance, intermediary, supply chain and/or training services to the Company. The associates of each of the Telecom Group Companies, respectively, shall enter into separate agreements with the Company or its relevant provincial branches, which shall set out specific terms and conditions pursuant to the principles and conditions provided in the Service Supply Framework Agreements.

Services

The services provided by each of the Telecom Group Companies and their respective associates under the Service Supply Framework Agreements include: construction service, design service, supervision service, outsourcing maintenance service, intermediary service, supply chain service and training service.

Service Period

The Service Supply Framework Agreements are valid from the Listing Date to 31 December 2020 and are renewable upon mutual agreement of the parties, respectively.

Pricing Policy

Transaction terms, such as services fees, payment method and miscellaneous expenses will be determined in accordance with relevant market price. If there is no market price, in order to make sure the prices of services offered are fair and reasonable, the parties shall refer to historical prices related to the services and, after collecting the information of market prices of such services in the industry through channels such as bids from other providers of similar services, determine the price based on average profit margin in the market or financial cost margin before agreeing on the pricing. Such costs include costs of raw materials, accessories, years of depreciation, labor, energy, management cost, financial fees and payable taxes and fees.

Annual Caps and Transaction Amounts in 2018

For the financial year ended 31 December 2018, the following non-de minimis continuing connected transactions of the Company has not exceeded the respective caps:

		Annual caps for 2018 (RMB in million)	Transaction amounts in 2018 (RMB in million)
C.1.	Construction, design, supervision, outsourcing maintenance, intermediary, supply chain and training services provided by CMCC and its associates	950	898
C.2.	Construction, design, supervision, outsourcing maintenance, intermediary, supply chain and training services provided by CUC and its associates	932	634
C.3.	Construction, design, supervision, outsourcing maintenance, intermediary, supply chain and training services provided by CTC and its associates	9,769	6,591

Further details of the above continuing connected transactions are set out in the note 32 of the consolidated financial statements.

In addition, the aforesaid continuing connected transactions had been reviewed by the independent non-executive Directors. The independent non-executive Directors confirmed that the aforesaid continuing connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or better or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from independent third parties; and (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Company's independent auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The independent auditor has issued the letter containing his findings and conclusions in respect of the continuing connected transactions of the Company disclosed in this annual report in accordance with paragraph 14A.56 of the Listing Rules.

The independent auditors' letter has confirmed that nothing has come to their attention that cause them to believe that the aforesaid continuing connected transactions:

(1) have not been approved by the Board;

(2) as for the transactions involving the provision of goods or services by the Group, were not, in all material respects, in accordance with the pricing policies of the Group;

(3) were not entered into, in all material respects, in accordance with the relevant agreements governing the continuing connected transactions; and

(4) with respect to the aggregate amount of each of the aforesaid continuing connected transactions have exceeded their respective annual caps for the year ended 31 December 2018 set by the Company.

A copy of the independent auditor's letter has been provided by the Company to the Hong Kong Stock Exchange.

Save as disclosed above, none of other related-party transactions set out in the note 32 of the consolidated financial statements constitute connected transactions or continuing connected transactions that are required to be disclosed under the Listing Rules. Save as disclosed in this report, the Company has no connected transactions which are required to be disclosed under Chapter 14A of the Listing Rules from the date of the listing of the H Shares to 31 December 2018. The Company confirms that it has complied with the requirements of Chapter 14A of the Listing Rules in relation to all connected transactions and continuing connected transactions to which the Company was a party during 2018.

Business Review

Relating to the details of the material development of the Group in 2018, a fair review of the business and a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position are provided in the "Chairman's Statement" on pages 10 to 15, "Management Discussion and Analysis" on pages 16 to 29 of this annual report. Description of the principal risks and uncertainties faced the Group can be found throughout this annual report. Particulars of important events affecting the Group that have occurred after 31 December 2018, if any, can also be found in the notes to the Consolidated Financial Statements. The outlook of the Group's business is discussed throughout this annual report including in the "Chairman's Statement".

Description of the Group's key relationships with its employees, customers, suppliers and others that have a significant impact on the Company and on which the Company's success depends can be found throughout this annual report. In addition, more details regarding the Group's performance by reference to financial key performance indicators and environmental policies, as well as compliance with relevant laws and regulations which have a significant impact on the Group, are provided in the "Chairman's Statement" and "Management Discussion and Analysis" of this annual report. Each of the above-mentioned relevant contents form an integral part of this Report of the Directors.

Compliance with the Corporate Governance Code

Details of the Company's compliance with the Corporate Governance Code are set out in the "Corporate Governance Report" on the page 67 of this annual report.

Material Legal Proceedings

As of 31 December 2018, 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.

Auditor

PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP were appointed as the international and domestic auditors of the Company, respectively for the year ended 31 December 2018. PricewaterhouseCoopers has audited the attached consolidated financial statements, which have been prepared in accordance with the International Financial Reporting Standards. The relevant re-appointment of PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP as the Company's international and domestic auditors, respectively for the year ending 31 December 2019 will be proposed to the 2018 AGM.

By Order of the Board
Chairman and General Manager
Tong Jilu

Hong Kong
4 March 2019

Report of the Supervisory Committee

In 2018, the members of the Supervisory Committee of the Company have conscientiously performed their supervisory duties, actively carried out their work, attended the Board meetings and general meetings of the Company, and effectively supervised legal compliance of the Company's operations, its financial condition and the performance of duties of the Directors and management of the Company to promote standardized operation of the Company, in strictly compliance with the applicable laws including the Company Law and the relevant requirements of the Articles of Association and the Procedural Rules of the Supervisory Committee of the Company and adhering to the principle of good faith with an attitude of being responsible for the Company and Shareholders as a whole.

1. Work of the Supervisory Committee

During the reporting period, the Supervisory Committee of the Company organized and convened six meetings in accordance with relevant rules:

(1) on 2 May 2018, the eighth meeting of the first session of the Supervisory Committee was held in the form of written communication, at which the "Proposal on Election of the Shareholder Representative Supervisors of the Second Supervisory Committee" was reviewed and approved as a resolution of the meeting.

(2) on 3 May 2018, the first meeting of the second session of the Supervisory Committee was convened, at which Mr. Li Wenmin was elected as the chairman of the second session of the Supervisory Committee.

(3) on 3 May 2018, the second meeting of the second session of the Supervisory Committee was convened, at which the proposal of initial public offering of overseas listed foreign-invested shares (H Shares), the proposal on distribution of retained profits before the Listing and the Procedural Rules of the Supervisory Committee were reviewed, approved and agreed to be submitted to the general meeting of the Company for consideration.

(4) on 5 July 2018, the third meeting of the second session of the Supervisory Committee was held, at which the financial report of final account for 2017 was reviewed, approved and agreed to be submitted to the general meeting of the Company for consideration.

(5) on 6 August 2018, the fourth meeting of the second session of the Supervisory Committee was convened, at which the unaudited interim condensed financial statements for 2018 and interim result announcement and interim report for 2018 were reviewed and approved as a resolution of the meeting.

(6) on 18 October 2018, the fifth meeting of the second session of the Supervisory Committee was convened in the form of written communication, at which the unaudited financial statements and announcement of unaudited key performance indicators for the first three quarters of 2018 were reviewed and approved as a resolution of the meeting.

During the reporting period, members of the Supervisory Committee attended all the general meetings and Board meetings of the Company, at which they have proposed relevant suggestions and recommendations in a serious and responsible manner, supervised the procedures and contents of such meetings, supervised effectively the procedures for making operation decisions, legal compliance of the operations and the financial condition of the Company as well as performance of the Directors and management in daily operations of the Company. The reasonable suggestions and recommendations proposed by them were adopted by the Company to better protect the legal interests of the Company and its shareholders.

2. Independent Opinions on Relevant Matters of the Company During the Reporting Period

(1) Opinions of the Supervisory Committee on legal compliance of the Company's operation

In 2018, the Supervisory Committee of the Company supervised the procedures for convening the general meetings and the Board meetings of the Company, resolutions thereof, the execution of the resolutions of general meetings of the Company by the Board, performance of the senior management of the Company, under the authority conferred by the Company Law and the Articles of Association.

The Supervisory Committee is of the view that the procedures for the decision making of the Company have complied with the relevant requirements of the Company Law and the Articles of Association and the Board has operated under standardized and legal procedures with reasonable decisions and conscientiously executed the resolutions of the general meetings of the Company. The Directors and senior management of the Company were faithful, devoted and responsible in discharging their duties, and did not violate the laws, regulations and the Articles of Association or prejudice the interests of the Company. All resolutions of the general meeting of the Company were implemented.

(2) Opinions of the Supervisory Committee on the financial performance of the Company

The Supervisory Committee carefully reviewed the consolidated financial statements for 2018 and other relevant materials proposed to be submitted by the Board to the general meeting of the Company, which was prepared under the International Financial Reporting Standards and audited and issued with an unqualified opinion by independent auditors. The Supervisory Committee is of the view that such financial statements gives an objective and true view of the Company's financial condition and operating results.

In 2019, the Supervisory Committee will continue to strictly comply with the requirements of the relevant laws and regulations and Articles of Association to perform diligently the supervisory duties, to enhance supervision efforts and to effectively safeguard and protect the interests of the Company and Shareholders. The Supervisory Committee will continue to work assiduously to promote sustainable and healthy development of the Company.

By the order of the
Supervisory Committee
Chairman of the Supervisory Committee
Li Wenmin

Beijing, the PRC
4 March 2019

Corporate Governance Report

The Company is committed to maintaining high standards of corporate governance, adhering to the concepts of good, robust and effective corporate governance, continuously enhancing the standard of governance, regulating corporate operations, improving internal control, and implementing sound measures on governance and disclosure, so as to ensure that business operations are in line with the long-term interests of the Company and Shareholders, and that the interests of Shareholders are effectively safeguarded. The Company's general meeting, the Board and the Supervisory Committee have maintained effective operation in accordance with operational standards, and the Company has continuously optimized its internal control and comprehensive risk management to effectively ensure its stable operation.

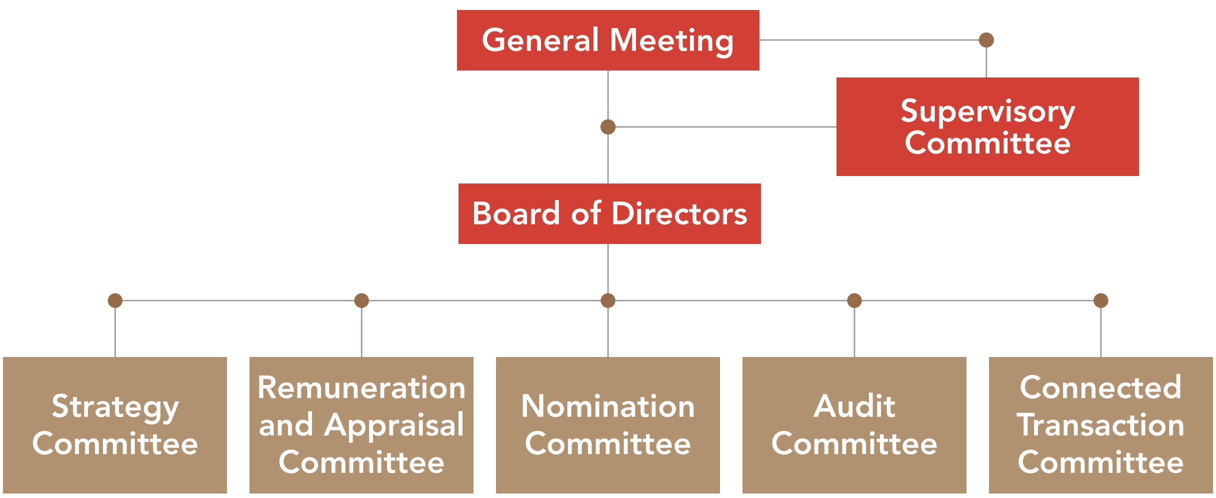
Corporate Governance Practices

On 8 August 2018, the Company completed global offering of new H Shares on the Hong Kong Stock Exchange, and since then it has continued to improve its basic corporate governance system. As a company incorporated in the PRC and listed on the Hong Kong Stock Exchange, the Company has complied with the relevant requirements of the Listing Rules and has abided by the Company Law and other applicable laws, regulations and regulatory requirements of Hong Kong and the PRC as fundamental guidelines for the Company's corporate governance. With strict compliance with relevant laws and regulations, the Group has continuously deepened the development of the internal control and risk management systems to improve the Company's governance standard and transparency.

During the period from the Listing Date and up to 31 December 2018, the Company has complied with the code provisions set out in the Corporate Governance Code as contained in Appendix 14 to the Listing Rules (where applicable), except the deviation from Code Provision A.2.1 of the Corporate Governance Code.

Corporate Governance Structure

The overall governance structure of the Company is as follows: under the general meeting are the Board and the Supervisory Committee. The Strategy Committee, the Remuneration and Appraisal Committee, the Nomination Committee, the Audit Committee and the Connected Transaction Committee were set up under the Board. The Board, as the decision-making body of the Company, is responsible for and has general authority for corporate management and operations. The Supervisory Committee is mainly responsible for supervision of the performance of duties of the Board and senior management, and the Board and the Supervisory Committee are accountable to the shareholders in general meeting independently.



General Meeting

The general meeting of the Company comprised of all Shareholders of the Company, which represents the interests of the Shareholders of the Company. The general meeting of the Company is the organ of authority of the Company and shall exercise its powers in accordance with the laws, administrative regulations and the Articles of Association. The general meetings shall include annual general meetings and extraordinary general meetings. The annual general meeting is convened once a year and shall be held within 6 months after the end of the accounting year. In accordance with the Articles of Association, notice of the general meeting shall be given to all Shareholders no later than 45 days before the date of the meeting. In accordance with the Articles of Association and as required by the Listing Rules, resolutions submitted to the general meeting of the Company shall be voted by poll, and the results of voting will be published on the Company's website and the Hong Kong Stock Exchange's website.

The first annual general meeting of the Company after listing will be held in April 2019. The annual general meeting provides Shareholders with an opportunity to communicate directly with the Directors and Shareholders are encouraged to attend the meeting. Members of the Board and the chairman of each of the Strategy Committee, the Remuneration and Appraisal Committee, the Nomination Committee, the Audit Committee and the Connected Transaction Committee (or any member authorized by the Committees), the chairman of the Independent Board Committee (if any) and members of the senior management usually attend the annual general meeting of the Company to answer enquiries in relation to the business of the Group.

Communications with Shareholders

The Board has established a Shareholder communication policy that regulates various regular and irregular channels for the Company's daily communication with Shareholders (including general meetings, roadshows and daily meetings), enabling Shareholders and investors to keep abreast of the Company's latest operating conditions and growth prospects, while allowing various opinions from the market to be conveyed effectively and timely to the Company. Details of communications with Shareholders are set out in the section headed "Investor Relations" of this report and posted on the Company's website.

The Company adheres to the basic principles of fair disclosure of information to and open communication with Shareholders. The Board has established a Shareholder communication policy to communicate information to Shareholders and investors through various channels to ensure continuous communication with Shareholders. Corporate communications to the Shareholders are also available on the Company's website for Shareholders' reference. Please also refer to the section headed "Shareholder Information" in this annual report.

Shareholders' Right to Convene A General Meeting and Make Recommendations

Pursuant to Article 58 of the Articles of Association, Shareholders who request an extraordinary general meeting or a general meeting of a class of Shareholders shall comply with the following procedures:

(i) two or more Shareholders who together hold 10% or more of the shares carrying the right to vote in the meeting contemplated to be held can request the board of Directors to convene an extraordinary general meeting or a class meeting by signing one or several copies of written request(s) in the same form and content, and stating the motions and resolutions proposed. The Board shall convene the extraordinary general meeting or the class meeting as specified in the request as soon as possible. The shareholdings referred to above shall be calculated as at the date of request made.

(ii) if no notice of convening a general meeting was issued within 30 days after the Board receiving the abovementioned written request(s), the Shareholders making the request(s) can convene a meeting by themselves within 4 months after the Board receiving the abovementioned written request(s), and the procedures for convening such meeting shall follow the procedures of the general meeting convened by the Board as much as possible.

Procedures for Shareholders to Make Proposal in A General Meeting

Pursuant to Article 60 of the Articles of Association, as a general meeting is convened, the Board, the Supervisory Committee, and any Shareholders individually or jointly holding 3% or more of the Company's shares with voting rights in aggregate may propose any written resolution to the Company. Such Shareholders may submit an interim proposal in writing to the convener at least 15 business days prior to the general meeting date. The convener shall then send a supplemental notice to the Shareholders to announce the interim proposal, within 3 business days upon receipt of such proposal.

Nomination of Directors

Pursuant to Article 96 of the Articles of Association, the Company shall set aside a period of time before convening the meeting in respect of candidates nominated by Shareholders taking up the role of directors. Within this period, Shareholders may issue a written notice to the Company in respect of nominating a candidate to be a director, and such candidate may issue the written notice regarding the indication of his/her intention to accept the nomination to the Company. The aforementioned period shall be at least 7 days and shall commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than 7 days prior to the date of such meeting.

Shareholders' Enquiry

Shareholders of the Company who wish to make an enquiry to the Board or request to convene a general meeting or make any recommendation pursuant to the Articles of Association may contact the investor relations officers of the Company via Shareholders' hotline at ((852) 2811 4566) or by email at ir@chinatowercom.cn.

Board Of Directors

The Board is the decision-making body for business operation of the Company, which is accountable to the general meeting and shall perform the following main duties: to implement resolutions adopted at the general meetings, to make decisions on the Company's business plans and investment plans, to determine the establishment of internal management departments and the establishment of branches and to appoint senior management personnel, etc.

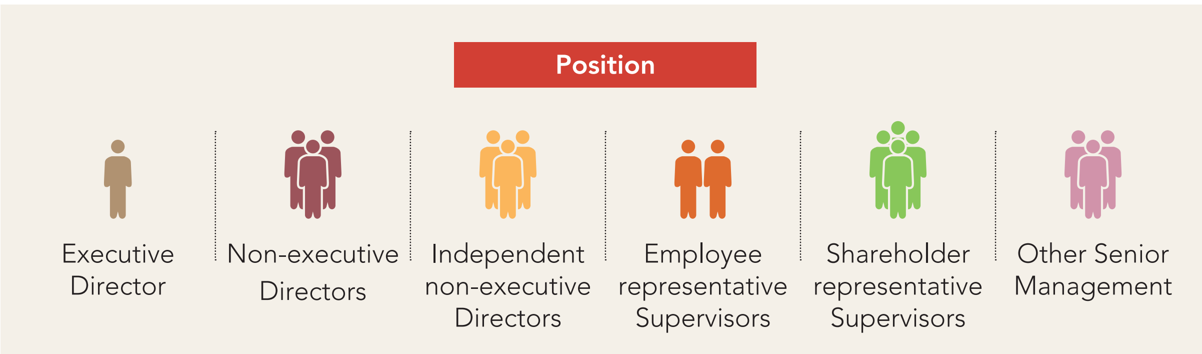
The Board has granted powers and duties to the management to perform the management of daily production and operation, to organize and implement the resolutions of the Board and the annual operation plan and investment proposal, to propose the establishment proposal of the internal management departments, to formulate the basic management system of the Company and to formulate the basic rules of the Company. The Articles of Association clearly stipulates the above-mentioned scope of duties of the Board and management respectively. In order to maintain effective operation and flexibility and efficiency in decision making, the Board also delegates its management and administrative management powers to the management when necessary, and provides clear guidance on its authorization to avoid impeding or weakening the power of the Board as a whole to discharge their duties.

Composition of the Board

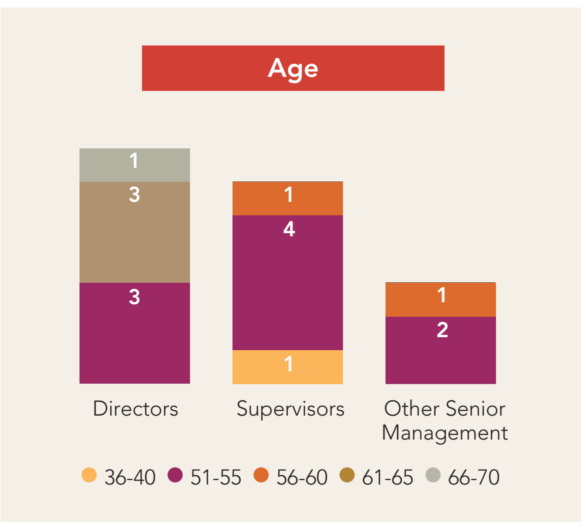
The second session of the Board of the Company comprised of seven Directors including:

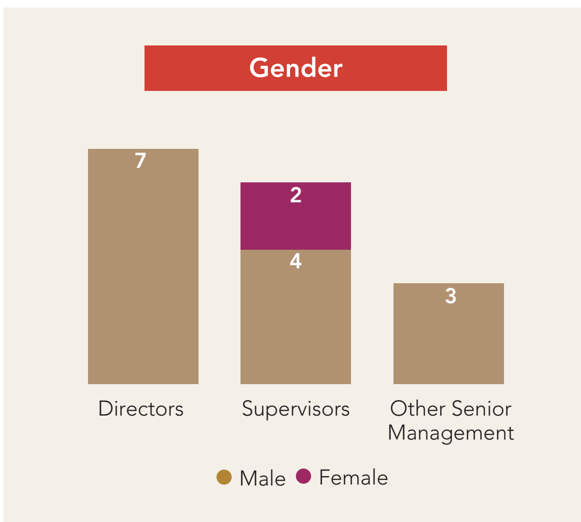
Executive Director	Non-executive Directors	Independent non-executive Directors
Tong Jilu (Chairman and General Manager)	Dong Xin	Su Li
	Shao Guanglu	Fan Cheng
	Zhang Zhiyong	Tse Yung Hoi

The Directors are typically appointed for a term of three years and eligible for re-election upon expiry of their term of office. The second session of the Board has a term of three years beginning in May 2018 and expiring on the date on which the 2020 annual general meeting of the Company to be held in 2021, at which time board election for the third session will be held.



In achieving sustainable and balanced development, the Company recognizes the importance of board diversity to its strategic goals and sustainability. The Company has adopted a board diversity policy which sets out the approach to achieve diversity of the Board. Pursuant to the board diversity policy, the Board considers factors regarding board diversity in various ways, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and/or length of service. The Company will also consider its business model and specific needs from time to time, as well as a balanced composition of executive and non-executive directors. The Nomination Committee of the Board is mainly responsible for identifying qualified individuals for Directors and shall take into full consideration the board diversity policy in the selection process. The appointment of Board members is based on the strengths of each candidate and objective criteria, with due regard to the benefits of board diversity.



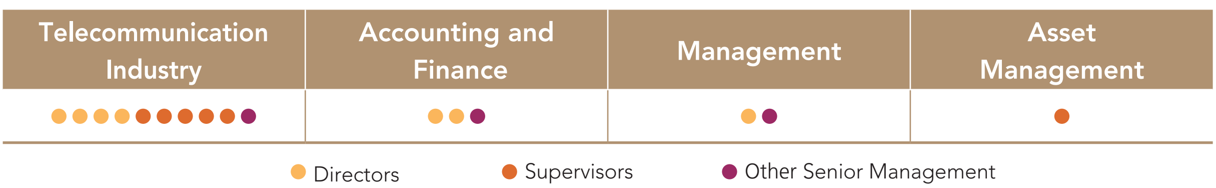


In accordance with the Articles of Association and the terms of reference of the Nomination Committee, when nominating and appointing new directors, the Nomination Committee will look for suitable candidates widely and make recommendations to the Board after considering the Company's needs for new directors. The Nomination Committee considers the strengths of candidates based on objective criteria and takes full consideration of the benefits of diversity of board members. A board meeting (including independent non-executive Directors and non-executive Directors) will be held to consider the relevant nominations after obtaining the nominee's consent to the nomination.

Every newly appointed Director shall receive comprehensive, formal and tailored induction guidelines on the first occasion of his/her appointment, after which he/she shall be provided with necessary briefings and opportunities for professional development, so as to ensure that he/she has a proper understanding of the operations and business of the Company and that he/she is fully aware of his/her responsibilities under statutes, the Listing Rules, applicable laws and regulatory requirements, and the business and governance policies of the Company. In addition, the Company will prepare a formal letter of appointment containing the principal terms and conditions for appointment of Director.

The Board of the Company is comprised of renowned experts in the areas of telecommunication industry, finance, accounting, management and asset management, etc. The Nomination Committee under the Board will conduct a review of the structure of the Board at least once a year. Among the members of the Board are three independent non-executive Directors, among which Mr. Fan Cheng is qualified as an accountant and satisfies the requirements with Rule 3.10, 3.10A2 and 3.21 in Chapter 3 of the Listing Rules. The biographical details of the Directors are set out in the section headed "Profiles of Directors, Supervisors and Senior Management" in this annual report.

Professional experience



To the best knowledge of the Directors, as of the date of this report, there is no financial, business, family or other material connection between the members of the Board, and all of them are free to make independent judgments.

The Company has received an annual independent confirmation from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors are independent.

The Company determines the remunerations of each of the Directors with reference to their duties, responsibilities, experiences and prevailing market conditions.

Since the Listing Date, the Company has conscientiously regulated the workflows of the Board and each of its special committees in accordance with the Corporate Governance Code under the Listing Rules, and has ensured the standardization of the process of Board meetings in terms of structure, system and personnel. The Board supervises preparation of accounts for each accounting period in a responsible and conscientious manner, so that the accounts can truly and fairly reflect the financial status, operating results and cash flow of the Company during such period. In preparing the accounts as of 31 December 2018, the Directors have chosen to apply appropriate accounting policies, make prudent, fair and reasonable judgments and estimates, and prepare accounts on a going concern basis.

All Directors devoted sufficient time and efforts to the business of the Company. The Company also requires the Directors to disclose the number of positions they hold in public companies or organizations and provide the Company with the time they devoted to the relevant positions.

The Company has also arranged appropriate insurance cover in respect of possible legal actions against its Directors, Supervisors and senior management.

Chairman of the Board and General Manager

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 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.

Board Meeting

Pursuant to the Articles of Association and the Listing Rules, the Board shall convene at least four meetings a year. At the beginning of each year, all Directors/committee members are notified of the timetable for the Board/committee meeting to be held during the year. In addition, Notices will be given to all Directors at least 14 days prior to the date on which the Board meeting is held. The agenda and related documents of the Board meeting will be delivered to all Directors at least three days prior to the date of the meeting. The Board and each of the Directors may contact the senior management independently if necessary and obtain additional information from the Company so that the Directors can make informed decisions with relevant information.

The company secretary is responsible to ensure that Board meetings comply with the relevant procedures and rules and regulations. All Directors may make enquiries with the company secretary to ensure that they receive sufficient information on the matters included in the agenda.

All Board meeting minutes record the details of the matters considered and decisions made, and are kept properly and open for inspection by the Directors. A Director shall abstain from voting on any Board resolution approving any proposal in which he/she or any of his/her associates has a material interest, nor shall he/she have right to vote. In 2018, the second session of the Board held five meetings and passed one written resolution. In addition to the general matters such as review of the annual and interim financial statements in 2018, the Board also considered the resolutions regarding election of Directors upon expiry of their terms of service, amendment of the Articles of Association, the Company's Initial Public Offering of overseas listed H Shares and listing proposal thereof, strategy plan of the Company and proposal of the basic management system of the Company, etc.

In 2018, the chairman of the Board had held one private meeting with three independent non-executive Directors after listing to ensure that their opinions could be fully expressed, which fostered the exchange of ideas among the Board.

The Board is responsible for developing and reviewing the Company's policies and practices on corporate governance; reviewing and monitoring the training and continuous professional development of Directors and senior management as well as the Company's policies and practices in compliance with legal and regulatory requirements; developing, reviewing and monitoring the code of conduct applicable to employees; and reviewing the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

In 2018, the attendance record of Directors in the Company's second session Board meetings, Board committee meetings and general meetings were as follows:

	Attendance in 2018/Meetings convened during 2018						
	Board	Strategy Committee	Remuneration and Appraisal Committee	Nomination Committee	Audit Committee	Connected Transaction Committee	General Meetings
Executive Director:							
Tong Jilu (Chairman and General Manager)	5/5	2/2	–	1/1	–	1/1	2/2
Non-executive Directors:							
Dong Xin	5/5	2/2	–	1/1	–	–	2/2
Shao Guanglu	5/5	2/2	1/1	–	–	–	2/2
Zhang Zhiyong	5/5	2/2	–	–	4/4	–	2/2
Independent non-executive Directors:							
Su Li	5/5	2/2	1/1	1/1	–	1/1	2/2
Fan Cheng	5/5	–	1/1	1/1	4/4	1/1	2/2
Tse Yung Hoi	5/5	–	–	1/1	4/4	1/1	2/2

Notes:

1. The abovementioned meetings include three Board meetings held before the Listing Date.

2. Mr. Dong Xin, a non-executive Director, was not able to attend, in person, one Board meeting and one Strategy Committee meeting due to other important business commitment. He reviewed the relevant resolutions in advance and appointed in writing another Director to attend and vote on his behalf to ensure that his opinion is fully expressed in the meetings.

Director's Training

Newly appointed Directors will receive trainings provided by the Company upon the appointment, so as to ensure that they have adequate understanding of the Company's business and they are fully aware of their duties as Directors under the laws and regulations. Before the Listing on 8 August 2018, the Company engaged external lawyers to provide all the aforesaid Directors with trainings on issues including directors' duties and the Listing Rules.

The Company distributes operation report to Directors each month, setting out updates on major business and financial position of the Company to facilitate the Directors to discharge their duties. In addition, the Company also issues latest information regarding corporate governance and directors' responsibilities under the Listing Rules and other applicable laws and regulations to the Directors, ensuring their awareness of their responsibilities under the laws and regulations. All the Directors are also encouraged to participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contributions to the Board remain informed and relevant.

Training records for 2018 of each member of the second session of the Board of the Company were summarized in the table below:

	Attend training and/or seminar/ on-site research relevant to the Company's industry and business, director's duties and/or corporate governance	Give a speech at the meeting relevant to the Company's industry and business, director's duties and/or corporate governance	Read information relevant to the Company's industry and business, director's duties and/or corporate governance; and/ or read regular updates issued by the Company
Executive Director:			
Mr. Tong Jilu (Chairman and General manager)	√	√	√
Non-executive Directors:			
Mr. Dong Xin	√	√	√
Mr. Shao Guanglu	√	√	√
Mr. Zhang Zhiyong	√	√	√
Independent non-executive Directors:			
Mr. Su Li	√	√	√
Mr. Fan Cheng	√	√	√
Mr. Tse Yung Hoi	√	√	√

Model Code for Securities Transactions by Directors and Supervisors

The Company has compiled its own Corporate Code by adopting the Model Code as the blueprint, with provisions no less exacting than that of the Model Code.

The Company has made specific enquiries to all of the Directors and Supervisors, and each of the Directors and Supervisors has confirmed his/her compliance with the Corporate Code and the Model Code for the period since the date of listing and ended 31 December 2018.

Board Committees

As an important part of a sound corporate governance practice, the Board has set up five special board committees: the Strategy Committee, the Remuneration and Appraisal Committee, the Nomination Committee, the Audit Committee and the Connected Transaction Committee, and all of which were responsible for the supervision of the overall affairs of the Company in various areas and assistance of discharging its responsibilities. All the five board committees have formulated their own terms of reference with clear power and responsibilities. The list of members of each committee was published on the websites of the Company and the Hong Kong Stock Exchange.

Strategy Committee

The Strategy Committee consists of five Directors, namely Mr. Tong Jilu, being an executive Director, Mr. Dong Xin, Mr. Shao Guanglu and Mr. Zhang Zhiyong, all being the non-executive Directors and Mr. Su Li, being an independent non-executive Director. Mr. Tong Jilu currently serves as the chairman of the committee.

The main responsibilities of the Strategy Committee include:

(i) studying and making recommendations on the mid-to-long-term development strategy plan, operating objectives and development guidelines of the Company;

(ii) studying and making recommendations on the operating strategies of the Company, including but not limited to product strategy, marketing strategy, sales strategy, research and development strategy and talent strategy;

(iii) studying and making recommendations on material strategic investments and financing proposals of the Company; and

(iv) other matters authorized by the Board or required under the relevant laws and regulations.

During the period, two meetings were held by the Strategy Committee of the second session of the Board, during which proposals for the initial public offering and the listing of overseas H Share as well as strategic plan for the Company were considered.

Remuneration and Appraisal Committee

The Remuneration and Appraisal Committee consists of three Directors, namely, Mr. Su Li, being an independent non-executive Director, Mr. Shao Guanglu, being a non-executive Director, and Mr. Fan Cheng, being an independent non-executive Director. Mr. Su Li currently serves as the chairman of the committee.

The main responsibilities of the Remuneration and Appraisal Committee include:

(i) making recommendations to the Board on the formulation procedure of the remuneration policy;

(ii) formulating remuneration proposal, plan or structure, and making recommendations to the Board;

(iii) examining the performance of the Directors and senior management members of the Company and performing annual performance appraisals over them;

(iv) reviewing and supervising the implementation of the remuneration system of the Company and approving the remuneration recommendation of the management;

(v) determining the remuneration packages of all the executive Directors and senior management members;

(vi) making recommendations to the Board on the remuneration of the non-executive Directors (including independent non-executive Directors); and

(vii) other matters authorized by the Board or required under the relevant laws and regulations.

During the period, one meeting was held by the Remuneration and Appraisal Committee of the second session of the Board, during which proposals for remuneration and allowances of independent non-executive Directors of the Company were considered.

Nomination Committee

The Nomination Committee consists of five Directors, namely, Mr. Tong Jilu, being an executive Director, Mr. Dong Xin, being a non-executive Director, and Mr. Su Li, Mr. Fan Cheng, Mr. Tse Yung Hoi, all being the independent non-executive Directors. Mr. Tong Jilu currently serves as the chairman of the committee.

The main responsibilities of the Nomination Committee include:

(i) reviewing the scale, structure, size and composition of the Board (including skill, knowledge and experience);

(ii) studying the selection criteria and procedure of the Directors and senior management members and making recommendations to the Board;

(iii) comprehensively identifying qualified candidates for the Directors and senior management members, and selecting and nominating the relevant person to become the Director or making recommendations to the Board;

(iv) examining the other senior management members who shall be proposed to the Board for appointment, and making recommendations to the Board; and

(v) other matters authorized by the Board or required under the relevant laws and regulations.

During the period, one meeting was held by the Nomination Committee of the second session of the Board, during which matters on appointment of senior management of the Company were considered.

Audit Committee

The Audit Committee consists of three Directors, namely, Mr. Fan Cheng, being an independent non-executive Director, Mr. Zhang Zhiyong, being a non-executive Director and Mr. Tse Yung Hoi, being an independent non-executive Director. Mr. Fan Cheng currently serves as the chairman of the committee.

The main responsibilities of the Audit Committee include:

(i) proposing engagement or replacement of the external audit firm;

(ii) reviewing the financial information of the Company;

(iii) monitoring the financial reporting system, risk management and internal control system of the Company; and

(iv) other matters authorized by the Board or required under the relevant laws and regulations.

During the period, four meetings were held and one written resolution was approved by the Audit Committee of the second session of the Board, during which matters such as engagement of external auditors, framework agreement on connected transactions and annual caps thereon, audited 2017 financial statements, 2018 interim condensed financial information, unaudited financial information for the first three quarters of 2018, reporting on internal control and risk management. In addition, the Audit Committee heared the report of audit plan from external auditor.

Connected Transaction Committee

The Connected Transaction Committee consists of four Directors, namely, Mr. Tse Yung Hoi, being an independent non-executive Director, Mr. Tong Jilu, being an executive Director, Mr. Su Li and Mr. Fan Cheng, all being the independent non-executive Directors. Mr. Tse Yung Hoi currently serves as the chairman of the committee.

The main responsibilities of the Connected Transaction Committee include:

(i) collecting and administrating the information of the connected persons;

(ii) managing and reviewing the connected transactions, and controlling the risks associated with connected transactions;

(iii) organizing the annual review of the connected transactions;

(iv) reviewing the information and disclosures of connected persons and connected transactions;

(v) formulating the regulations and management regulations in relation to the connected transactions of the Company;

(vi) proposing to the Board for approval after deliberation of the connected transactions; and

(vii) other matters authorized by the Board or required under the relevant laws and regulations.

During the period, one meeting was held by the Connected Transaction Committee of the second session of the Board, during which the interim report on connected transactions of the Company was considered.

Supervisory Committee

The Company established a Supervisory Committee pursuant to the Company Law. The second session of the Supervisory Committee consists of six Supervisors which, among other things, include four Shareholder representative Supervisors (Ms. Gao Lingling, Ms. Guo Xiaolin, Mr. Sui Yixun and Mr. Wang Zhixue) and two employee representative Supervisors (Mr. Li Wenmin and Mr. Wang Hongwei). Mr. Li Wenmin serves as the chairman of the Supervisory Committee.

The Supervisors are typically appointed for a term of three years and are eligible for re-election upon expiry of their term of office. The second session of the Supervisory Committee is appointed for a term of three years commencing from May 2018 and ending on a date in 2021 on which the 2020 annual general meeting of the Company is to be convened and the third session of Supervisory Committee is to be elected.

The Supervisory Committee is a standing supervisory institution of the Company and is accountable and reports to the general meetings. The Supervisory Committee normally meets at least twice a year.

The primary duties of the Supervisory Committee are to supervise the performance of duties of the Directors and other senior management; to review the financial condition of the Company; to review the financial information to be submitted, such as financial report, operation report and proposals of profit allocation, to the general meetings, as well as other powers conferred by laws, administrative rules and the Articles of Association. Details of the work of the Supervisory Committee in 2018 is set out in the “Report of the Supervisory Committee” of this annual report.

Company Secretary

The Company Secretary is an employee of the Company and has appropriate understanding of the Company's business. The Company Secretary is responsible for supporting the daily operation of the Board and ensuring the compliance with the policies and procedures of the Board. All of the Directors can access to opinions and use the service of the Company Secretary to ensure that the procedures of the Board and the applicable laws, rules and regulations are being complied with. The Company Secretary met the requirement on professional training under the Rule 3.29 of the Listing Rules in 2018.

Amendments to the Articles of Association

The Shareholders of the Company amended, on an extraordinary general meeting held in 2018, the Articles of Association of China Tower Corporation Limited for the satisfaction of the requirements of corporate governance and standard operation in respect of the issuance of overseas listed foreign shares (H Share) by the Company and the application of listing for such shares on the Main Board of the Hong Kong Stock Exchange pursuant to such domestic and overseas laws and regulations and regulatory document as the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (《到境外上市公司章程必備條款》) and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The amended Articles of Association were published on the websites of the Company and of the Hong Kong Stock Exchange.

External Auditors

The international auditor and the domestic auditor of the Company are PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP, respectively.

For the year ended 31 December 2018, the fee paid/payable to the external auditors for audit, audit related (mainly related to IPO) and non-audit (ESG report advisory service) services are RMB7.3 million, approximately RMB17.2 million and RMB0.3 million, respectively.

The Audit Committee and the Board of the Company have agreed with the re-appointment of PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP as the international auditor and the domestic auditor of the Company respectively for 2019 and will propose such re-appointment for consideration at the 2018 annual general meeting.

Directors' Responsibility for Financial Statements

The Directors are responsible for the preparation of financial statements. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern, and therefore the Directors continue to adopt the going concern approach in preparing financial statements.

The responsibility statement of PricewaterhouseCoopers, our external auditor, regarding its "Independent Auditor's Report" on the financial statements of the Group is set out on pages 108 to 112 of this annual report.

Risk Factors

The following section lists out the principal risks and uncertainties faced by the Group. There may be other risks and uncertainties further to the key risk areas outlined below. Please also refer to the "Risk Factors" set out in the listing document of the Company as it is a non-exhaustive list.

The sustainable growth of the Group's business and our success depend on the growth of the telecommunications tower infrastructure industry in general and the overall demand for telecommunications tower infrastructure services. If the demand for telecommunications tower infrastructure services do not achieve the expected growth or even decrease, the Group's business and results of operations could be materially and adversely affected.

The Group's business relies on a limited number of customers, and substantially all of our operating revenue are generated from the Three TSPs. Despite our long-term relationship, the Group has limited influence over our customers' business operations and the demand of the customers may fall short of our estimation due to, among others, change of budget, change of business model or strategy, update/change of technology or wireless communications systems, or change in the general economic conditions and urbanization development.

The Group's ability to select, acquire and maintain suitable sites is crucial to our success. The Group typically selects new sites that can best address the customers' needs and meet their network coverage objectives. The Group cannot assure that it could be successful in identifying and consummating suitable site acquisitions, or maintaining, effectively operating and utilizing our sites or that we will be able to obtain, in a timely fashion, the ownership or the rights to use or lease the land or premises. Our ability to acquire, construct and maintain sites is subject to various factors.

The Group considers cost, market condition and other factors when pricing our services. The pricing for our macro cell business is generally based on a standard construction cost, which is estimated in accordance with past experience, market condition and the specific circumstances in a certain location and may vary from the actual costs. In addition, if there is any increase in the costs that cannot be passed on to the customers, or that the Group charges its customers on a lump sum basis, such as labor costs and some administrative expenses, the Group's profitability could suffer.

Technological changes or innovation related to telecommunications will materially affect our business, especially those affecting the demand for telecommunications tower infrastructure or resulting in the obsolescence, potential decommissioning or conversion of certain existing wireless communications networks. 5G wireless communications technology standards may render TSP customers the need for substantial amount of high-density small cells to deploy their 5G networks, which may cause us to incur excessive capital expenditures and materially affect our sites, revenue mix, operating profit margin and operating results of the Group.

Risk Management and Internal Control

Description on Risk Management and Internal Control

In 2018, the Company conducted its initial public offering (IPO) and was listed on the Main Board of the Hong Kong Stock Exchange. Through a series of governance measures with strict standards, the Company has formed a governance structure that meets the listing regulatory requirements and relevant regulatory provisions.

The internal control system of the Company includes clear organizational structure and management responsibilities, an effective system of approval of delegation of authority and accountability, unequivocal objectives, policies and procedures, comprehensive risk assessment and management and continuous analysis of operation performance and audit supervision, which play an important role in safeguarding the overall operation of the Company. The Company insisted in continuing to improve the policies relevant to internal control in accordance with the changes in internal and external operation environment and needs of business development, while utilized our centralized IT information system to enhance the efficiency and effectiveness of the internal control. The timeliness, completeness and reliability of the data information are also ensured. We continue to improve each professional management system and promote the standardization and efficiency of the management process for continuing to improve the management level of the Company.

The Company regards comprehensive risk management as an important task in its daily operation and has taken into account the regulatory requirements as well. By considering the practice of risk management, the Company has conducted timely risk assessment which focused on in-depth analysis on the key risks and has actively carried out the risk response and risk management assessment. In May 2018, the Company issued the "Comprehensive Risk Management Measures of China Tower Corporation Limited". The comprehensive risk management sets out explicit requirements for organizational structure, division of responsibilities and risk management processes under the principle of full participation of all employees, hierarchy responsibility and professional management. Being risk-oriented and focusing on the Company's overall objectives, it targets the risks affecting the enhancement of operation efficiency and authenticity of the financial information of the Company, pays special attention to the Company's major initiatives and key areas closely relating to production and operation, collates thoroughly the Company's potential internal and external risks, compiles risk control manual, and sets out explicit requirements for issues such as the Company's risks, including strategy risk, financial risk, market risk, operation risk, and risk factors, risk prevention and assessment units. The major risks and their prevention and control measures are as follows:

Strategic risks: our existing telecommunications infrastructure business of towers and DAS relies on a limited number of customers, thus limiting our future revenue growth and scale expansion. The Company has been actively safeguarding against inherent operational risks. While continue to deepen industry sharing, we have exerted our advantage in resources to explore various diversified business development models and achieve the diversified development of our businesses.

Market risks: the selection of suitable sites and the construction of 5G network will bring about new needs for network, which are particularly important to the future development of the Company. The Company has fulfilled customers' needs for low-cost and diversified telecommunications network coverages effectively by developing integrated solutions for mobile network coverage through combination of macro and small cells as well as indoor and outdoor network infrastructure. The Company adheres to innovation-driven development by keeping abreast of the development of 5G technology, and promoting and leading the sharing of 5G DAS. We have been consistently enhancing technological innovation and the promoting standardizing. In this way, we are able to build an innovative system of China Tower style, which in turn helps to promote the development of society informatization.

Business operation risks: while all indicators in the operation of the Company reflected improvement as well as effective cost control, issues such as non-standardized and inadequate operation and management still exist among our branches. The Company ensures the risks are effectively controlled and promotes the standardized operation and sustainable and healthy development of all level of units by improvement of system, establishment of the risk management and control plan, execution of daily supervision and continuing to track on high risk areas.

The Board of the Company has placed great emphasis on the establishment and improvement of the risk management and internal control systems and is responsible for assessing and determining the nature and extent of risks that are acceptable to the Company in achieving strategic objectives to ensure that the Company establishes and maintains appropriate and effective risk management and internal control systems and is responsible for the systems and the review of effectiveness of such systems.

The internal audit department of the Company plays an important role in supporting the Board, the management and the risk management and internal control system. In order to effectively promoting the corporate internal control and risk prevention, improving the audit management system beneficial to exercise audit supervision independently in compliance with the laws and regulations while continuing to improve the quality of internet audit and utilization of audit results, the Company optimized and adjusted the internal audit system independent from business operation, so as put more efforts in audit supervision and strengthen the independence, objectiveness and professionalism of internal audit, and hence play an important role in supervision of risk management and establishment of internal control of the Company. The internal audit department led by the headquarter audit department of the Company is responsible for the evaluation of risk and internal control, and provides objective assurance to the audit committee and the Board for ensuring that the management maintains stable operation, controllable risks and effective internet control under the established procedures and standards.

The internal audit department of the Company actively conducts various internal control and risk management audits, which regularly reports the internal audit results to the audit committee and the Board semi-annually. Each functional department executes daily supervision of its managed areas of risk, keeps highly sensitive to high risk areas and evaluates constantly, as well as continues to track on the conditions of important risks and the execution of its management and control plan. For important risk management issue, the internet audit department shall study on the rectification measures and strictly monitor the implementation results of rectification measures jointly with business and other relevant departments, in order to ensure that the rectification measures can be effectively and thoroughly implemented.

The Board continued to monitor and supervise the risk management and internal control systems of the Company, including the financial, operational and compliance controls, and conducted an annual review on the risk management and internal control systems of the Company and its subsidiaries for the year ended 31 December 2018 through the Audit Committee. After receiving the report from the audit department and the relevant confirmation from the management to the Board as to the effectiveness of the relevant systems, the Board considered that the risk management and internal control systems of the Company were stable, healthy, proper, effective and adequate, and has satisfied the requirements under the part C.2 of the Corporate Governance Code of the Hong Kong Stock Exchange regarding risk management and internal control.

The Board acknowledges that it is responsible for the risk management and internal control systems and reviewing their effectiveness and such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Information Disclosure

The Company has formulated a management system concerning information disclosure to regulate the disclosure of information for protecting the investors' legitimate interests, ensuring the true, accurate, complete and timely disclosure of information and maintaining open and effective communication with the investors, media and analysts. In disclosing information, the Company shall give a true and objective view of the operating results, financial condition and other status of the Company pursuant to the laws, regulations, governing rules of the listing place of the Company's securities and the requirements of relevant regulatory authorities of securities and other regulatory authorities. The Company places strong emphasis on handling inside information with the information disclosure management system in place regulating both the management and disclosure of the Company's inside information, for which any individual who has access to inside information shall keep confidential and which shall not be used illegally and irregularly.

Investor Relations

The Company has a designated team responsible for investor relations, providing necessary information, data and services to the Shareholders and investors, maintaining good communication with the Shareholders, investors and other capital market participants in order to allow timely and comprehensive understanding of the operation and development of the Company. The senior management of the Company attend press conferences for annual results and interim results, providing important information to the capital market and media by ways of various activities such as analysts' meetings, media press conferences, global investors' teleconferences and investors roadshows, responding to the most concerned issues of the investors for the time being and promoting the understanding of the Company's business and overall development.

The investor relations team of the Company communicates with investors and responds promptly to investors' enquiries so as to provide better services to the Shareholders and investors. In order to enhance communication with the capital market and improve the transparency of information disclosure, in addition to disclosure of annual and interim results, the Company has also disclosed unaudited key operating indicators such as revenue, EBITDA and net profit on a quarterly basis. During the global public offering of shares in 2018, the Company had organized global roadshows through which our management met with potential investors in Hong Kong, the United States, Europe, Singapore and other financial centers.

The Company attaches great importance to close communication with Shareholders, investors and analysts, and has actively participated in investors' conferences held by major international investment banks to promote better communication with institutional investors. In order to improve communications between the management and Shareholders of the Company and potential investors, and further enhance the Company's transparency, the Company held reverse roadshows upon the listing for sellers' analysts and institutional buyers to deepen the analysts' and investors' understanding of the Company. Meanwhile, through attending investors' summits, one-on-one and group meetings, teleconferences, the Company introduced its corporate strategies, business conditions, competitive edges and growth prospects to more than 500 fund managers, analysts and investors of financial institutions from different countries, and answered queries from investors, thereby enhancing investors' understanding and confidence in the Company's prospects. The Company further prepared feedback reports on the opinions of those investors through which the Company could gain better understanding of the capital market's knowledge on and expectation for the Company that led to higher efficiency in investor relations.

The investor relations website, ir.china-tower.com, serves as an important channel for the Company to disseminate press releases and company information to investors, media and the capital market, and is fundamental to compliance with statutory requirements for information disclosure and enhancement of Company's value.


6.950 5.298 4.745
7.376 8.919 3.802
5.582 4.351 3.658

TSSAI BUSINESS REVENUE

increased 6 times

SHARING IN OUR SOCIETY

Environmental, Social and Governance Report

About the report

This report aims at disclosing the performance in respect of environmental, social and governance of China Tower Corporation Limited (referred to as "China Tower", "Company", "the Company", "we" or "us" in this report) in 2018. To comply with the Appendix 27 Environmental, Social and Governance Reporting Guide ("ESG Reporting Guide") to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules"), the Company commenced the preparation of the Environmental, Social and Governance Report of China Tower Corporation Limited (this report) to facilitate more thorough communication and understanding between various stakeholders and the Company. This report should be read together with the Corporate Governance Report from Annual Report 2018 of China Tower Corporation Limited and Corporate Social and Responsibility section of the Company's official website for a more comprehensive understanding of the Company's environmental, social and governance performance.

The reporting scope of this report includes the headquarter of China Tower and all provincial branches and municipal branches. Unless otherwise specified, the period covered of the report is 1 January 2018 to 31 December 2018.

This report has complied with the "Comply or explain" provisions set out in the ESG Reporting Guide.

The environmental, social and governance management

Environmental, social and government philosophy and strategy

The Company aims at being a world-class telecommunication infrastructure provider, adhering to the core values of "Entrepreneurship and Innovation, Pragmatism and Efficiency, Benefiting Customer and Accomplished Employees", proactively fulfilling environmental, social and governance responsibility, implementing social responsibility into corporate strategy and business operation to respond to the demands from stakeholders and promoting corporate's sustainable development.

Currently, as China implements the "Digital China" and "Beautiful China" strategy, the strategic importance and guidance effect of telecommunications infrastructure have gained even wider recognition. The Company proactively responded to the nation's development strategy, solidly established the "sharing" philosophy with the latest demand, used the advantage of resources to extend industry sharing while actively expand social sharing as well to promote the development of social informatization. The Company also insisted on green low carbon development, focused on energy conservation and emissions reduction, proactively implemented tower construction into urban landscape to build the Beautiful China.

Environmental, social and governance management structure

The Company has established the ESG management system that is in the change of the Board of Directors, led by the Senior Management and coordinated among multiple departments. The Board of Directors is responsible for setting ESG strategy and target, the Senior Management is responsible for ESG strategy and target implementation. The ESG Working Group consists of multiple departments from the Company headquarter, which is responsible for the daily work in respect of environment, social and governance of the Company. Under the instruction of the ESG Working Group, branches at provincial level perform specific ESG work. The establishment of ESG management system is capable of ensuring various business risks that in respect of environmental and social can be properly managed, and ESG concept and strategy can be effectively implemented.

Stakeholder engagement and materiality assessment

The Company listens and responds to the demands from stakeholders. We identified our major stakeholders according to the features of business operation and learnt about their main concerns through various communication channels. The major stakeholders we identified, key concerns and communication channels are shown in the table below.

Major stakeholders	Key concerns	Communication and response
Government and regulatory authorities	Compliance with disciplines and laws	Participating in meetings with government and regulatory authorities
	Timely tax payment	Disclosure of compliance reports
	Legal compliance	Relevant forum communication events
Shareholders and investors	Financial performances	General meetings
	Legal compliance	Corporate annual reports and announcements
	Transparent governance	Investor meetings
Customers	Customer service	Dedicated customer managers
	Project maintenance	10096 service hotline
	Customer Complaint	Customer complain mechanism
	Privacy protection	WeChat Official Account
Employees	Employee interests and benefits	Employee representative meetings
	Remuneration system	Staff activities
	Code of labor	Staff training
	Training and development	Performance appraisal system
	Healthy and safety	Staff appeal system
Community	Social poverty alleviation	Volunteer activities
	Social community	Targeted poverty alleviation
Suppliers	Transparent purchasing	Purchasing
	Equal competition	Supplier evaluation
	Commercial moral	Supplier portal websites
	Win-win and mutual benefit	Supplier hotlines

Through a regularly listen of stakeholder's demand combined with the Company's strategy and core business, the Company performed material analysis regarding 11 aspects that are listed from the "ESG Reporting Guide", and important aspects were identified, they are "Product Responsibility", "Use of Resources", "Health and Safety" and "Employment". Relevant aspects are "Emissions", "The Environmental and Natural Resources", "Development and Training", "Labour Standards", "Supply Chain Management", "Anti-corruption" and "Community Investment". All aspects would be discussed individually in this report.

Adhering to sharing strategy, promoting sustainable development

Extend industry resource-sharing

Under the sharing economy background of reducing redundant constructions in telecommunication industry, deepening resources sharing and improving operation efficiency and quality of the industry, The Company was established on 15 July 2014 as a professional telecommunication infrastructure service provider which currently manages the largest number of communication tower infrastructure in the world. Founded more than four years, the Company has achieved the lower cost, higher efficiency, better quality in telecommunication infrastructure construction, reduced redundant telecommunication infrastructure construction and resources waste, improved industrial efficiency benefits and social benefits, assisted 4G network expanded and speeded up broadband, promoted the rapid scale development of wireless communications network and supported the development of social informatization.

Building on resources sharing within the industry, the Company further exerts the advantages in coordination and extensive cooperation. The Company expands the co-location concept by using various social resources integrally, including transmission towers, railway telecommunications infrastructure resources, lighting poles, surveillance poles, road signs and billboards. This is in turn rapidly transform to new productivity, which further reduce construction costs, improve construction efficiency and promote TSP's network construction layout.

In the meantime, the Company co-ordinates to utilize internal and external resources, create innovative service mode and proactively develop the comprehensive solution service model for indoor and outdoor wireless communications coverage through a mix of macro cells and small cells, network coverage needs were satisfied by providing overall services such as antenna mounting height, ancillary power facilities and transmission connection with low cost, high efficiency and excellent service.

Sharing practice of social resources

In this year, the Company entered into the strategic cooperation agreements with each of State Grid Corporation of China and China Southern Power Grid at the headquarter level, which started the brand-new cooperation model of "tower co-location" and demonstrated the breakthrough progress achieved from resources sharing between two major industries, namely power and telecommunications. The two major grid companies supported the rapid, economic and effective construction of telecommunications base stations by opening transmission towers to the Company. Yunnan Branch of China Tower and China Southern Power Grid Yunnan Branch firstly completed the implementation of power tower co-location commercial model in the PRC on 13 June 2018, which started to fully promote "tower co-location" in a standard way. Leveraging the existing tower poles of power grid to construct base stations not only save investments, spaces and time, but also reduce resources consumption such as steels and concretes and with higher economic efficiency and eco-efficiency.

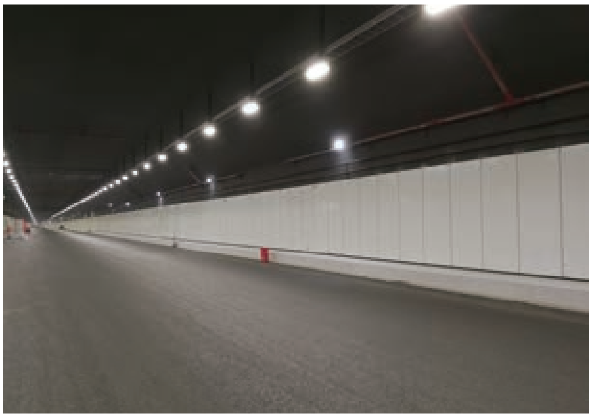
In this year, the Company entered into a strategic cooperation agreement with China Railway, pursuant to which, the parties fully exert respective advantage in resources pursuant to the principle of "market operation, coordination and planning, cooperation in construction, resources sharing, safety and reliable". Both parties inaugurated the sharing and application of information communications infrastructure along the railway, which ensures the new construction of communications infrastructure along the railway shall be planned, designed, implemented and activated synchronously with railway project. It can achieve higher efficiency, better costs and better services from the source. In the Shaanxi section of Xi'an-Chengdu High-Speed Railway, the Company fully shared and utilized the resources such as shelters, power systems, wires and cable ducts and over-the-rail pores of railway. A set of networks was connected to six sets of systems with different 2G, 3G and 4G formats of the three telecommunications services providers, which reduced the resources occupation costs and shortened the construction period. Meanwhile, the Company also opened resources actively to assist the information technology and smart construction of railway. In various places such as Nanjing, the Company exerted the advantages in extensive tower resources, multiple power sources and professional maintenance to construct high definition video surveillance systems in Nanjing Qiaogong section for Shanghai Railway Bureau. The Company also explored the auto routine inspection working model based on AI and machine learning. It can identify hidden dangers of railway facilities effectively, and thus promoting value and social value.

Practice of sharing in Hong Kong–Zhuhai–Macao Bridge

Hong Kong-Zhuhai-Macao Bridge is the longest sea crossing and the longest fixed link on earth, which is a remarkable and important infrastructure. For the sake of achieving extensive coverage of wireless communications network in Hong Kong–Zhuhai–Macao Bridge in a faster, better and cheaper manner, the Company planned, designed and constructed with Hong Kong–Zhuhai–Macao Bridge synchronously through promotion of social resources sharing. In addition, the Company utilized the pole resources in the bridge to install high value gain antennas in 25 gantries, which shortened 65 days of construction period, reduced duplicate construction significantly, improved efficiency of network coverage and reduced the construction costs of the telecommunication infrastructure.

Bridge pole sharing

Distributed antenna systems (DAS) in subsea tunnel



Distributed antenna systems (DAS) in subsea tunnel

Proactively expanding social sharing

As IoT, big data and AI technologies have been developed rapidly in China, the Company provides resources sharing-oriented TSSAI business to customers from different industries for assisting their informatization development through our core resources and capabilities, further expanding social sharing while deepening industry sharing, and establishing an open and collaborative industry ecosystem.

Practice of surveillance for straw incineration informatized solutions

Since 2018, China Tower has carried out business cooperation with the Department of Ecology Environment of Hebei Province. Relying on the site resources, we have set up video monitoring and infrared alarm system for straw burning in the key agricultural areas of the province, and a total of 3,741 monitoring stations were built throughout the year. After the system was put into use, it enabled multi-level command linkage, law enforcement record tracking, personnel accurate management and other functions. More than a thousand fires have been tracked in this system, providing technical control method for ecological and environmental protection.

Straw incineration surveillance equipment

Practicing green operation, adhering to low-carbon development

Through sharing development, the Company effectively reduces construction costs and improves resource use efficiency, achieves positive environmental and social benefits. Besides, the Company adheres to green operation by conducting following practices, insisting on low carbon development, and building a beautiful China.

Building a Beautiful China

To support realizing the goal of "building a harmonious and livable city" proposed in the 13th Five Year Plan, the Company promoted the application of camouflage products by promoting landscaped tower, camouflage tower, lightweight and modulization products and facilitated the harmonious integration of communications infrastructure with its surroundings.

Landscaped tower

The Landscaped tower's main body of the poles also adopts the same form of connection and appearance as monopole towers for a simple structure of tower and the easy control of quality. At the same time, decorative components, such as light arm, cover and wheels, are installed at the top or the middle of the tower according to clients' requests or the surroundings to better integrate the appearance of towers with their surroundings, achieving a perfect combination of both functionality and aesthetics. This type of tower is suitable for areas with dense population such as urban areas, tourist attractions and industrial areas or construction scenarios with aesthetics needs.

Camouflage tower

The Camouflage tower's main body of the poles also adopts the same form of connection as monopole towers but the poles mostly have bark-like coating or decoration. The top and the middle of the tower structure has light connecting parts such as tree crown, branches and leaves, which give it a more similar look to trees. Also, towers can opt for appearances such as palm trees and pine trees. With better aesthetics, this type of tower is suitable for construction scenarios with aesthetics needs such as tourist attractions and mountains.

Lightweight

In order to meet both the demands from TSPs for supplementary coverages in urban areas with high density of population and buildings and also the urban needs for fewer tall macro cells and more small cells, the Company developed lightweight tower products and small cell products to adapt to the fast and flexible construction model of small base stations. These products are small and light with multiple points, dense sites, low installation height and convenient construction. They are mainly used in four scenarios, namely commercial districts, tourist attractions, urban streets and residential communities.

Modulization

To further the economies of scale of tower products, the Company collaborated with external design companies to jointly develop modular tower products with the concept of assembling the building blocks of "standard tower structure" + "standard fittings". Modular tower products adopted a brand new structural design and achieved tower construction by assembling building blocks, resolving the difficulties of standardization, modulization and componentization of towers at its root. It has the advantages of potential for extension and capacity increase, being recyclable, strong carrying capacity and ease in transportation and installation. At present, modular tower products have nationwide application.

Daming Lake tourist destination integrated practice

In Daming Lake tourist area, equipment and antennas were hided inside the building skillfully or installed directly on the surveillance poles, lighting poles and building walls so that telecommunication equipment were fully integrated with the environment to avoid damage of site attractions, so as to protect the environment of the tourist attraction effectively. Meanwhile the construction schedule was shortened from 60 days to 4 days. The needs of customers for wireless communications network coverage are addressed rapidly.

Extending green operation

The Company has been environmentally responsible since its establishment. Through numerous measures to conserve energy and reduce emission, it reduced emission of greenhouse gases and improve the efficiency of using resources, facilitated resource conserving and environment-friendly practices and promoted the sustainable development of the society.

Saving energy and reducing emission at shelters

To enhance the efficiency of energy consumption of base station shelter during operation and service providing, the Company has taken gradual steps to promote energy conservation and emission reduction at tower sites, including control of air-conditioning, high-efficiency module of switch-mode power supply and applying new energy such as wind and photovoltaic power systems.

Our self-developed energy management system innovatively adopted IoT technology to monitor the energy consumption of various facilities in base station shelter precisely and real-time. It also assessed electricity consumption indicators of base station with big data technology, analyzed the electricity consumption structure of base station and provided energy conserving solutions. Measures such as collecting and analyzing energy consumption data of base station, energy-saving management and control of air-conditioning and applying photovoltaic facilities effectively supported the Company in improving energy saving level.

Office operation

The Company strictly comply with the Environmental Protection Law of the People's Republic of China and the Law of the People's Republic of China on Energy Conservation. The Company promoted the ideas and knowledge of energy conservation and emission reduction among the staff with various approaches and launched the green office training. It reinforced the management of electricity and water consumption at office premises and promoted water saving appliances. Paperless office was also promoted. The Company began using the internal e-commerce procurement system, reducing resource consumption by various departments in the course of procurement.

Regarding the writing off of company assets, laws and regulations in relation to state environmental protection were strictly complied during in the course of disposing written-off materials. Various policies such as Measures for Scrapping and Disposing Fixed Assets of China Tower Corporation Limited (For Trial Implementation) and Notice on Accelerating the Business Disposal of Written-off Materials were formulated to improve the procedures of asset write-off and disposal.

Energy socialization service

The Company has established an energy management concept and actively explored energy socialization services. For example, China Tower Shanxi Branch launched the first power battery-based silent power generation service in response to the current demand for backup services in bank outlets in the city. The power generation process is pollution-free and noise-free. The products are green as a whole, reducing the negative impact on the environment.

Environmental data performance tables

Greenhouse gas emissions

Indicator	Data
Greenhouse gas emissions (Scope 1&2) (Tonnes)	35,065.28
Direct greenhouse gas emissions (Scope 1) (Tonnes)	1,624.68
Natural gas (Tonnes)	1,624.68
Indirect greenhouse gas emissions (Scope 2) (Tonnes)	33,440.60
Purchased electricity (Tonnes)	33,440.60
Greenhouse gas emissions per unit operating revenue (Scope 1&2) (Tonnes/million yuan)	0.49

Note: Due to the natural of the Company's business, the greenhouse gas emissions include carbon dioxide, mainly resulted from outsourcing electricity, natural gas consumption. The scope of greenhouse emission data includes the headquarters, provincial offices and municipal offices. Greenhouse gas emissions are measured in carbon dioxide equivalents and calculated based on the Baseline Emission Factors for Regional Power Grids in China (2015) issued by National Development and Reform Commission and the 2006 IPCC Guidelines for National Greenhouse Gas Inventories of Intergovernmental Panel on Climate Change.

Resources consumption

Indicator	Data
Energy consumption (MWh)	58,026.88
Direct energy consumption (MWh)	8,308.87
Natural gas (MWh)	8,308.87
Indirect energy consumption (MWh)	49,718.01
Purchased electricity (MWh)	49,718.01
Energy consumption per unit operating revenue (MWh/million yuan)	0.81
Water consumption (Tonnes)	1,404,706.65
Water consumption per unit operating revenue (Tonnes/million yuan)	19.56

Note: The main energy consumption of the Company is purchased electricity and natural gas consumption.

The scope of energy consumption data includes the headquarters, provincial offices and municipal offices.

Energy consumption data is calculated based on the consumption of electricity and fuel, and the conversion factors provided in the General Principles for Calculation of Total Production Energy Consumption (GB/T 2589-2008).

Waste

Indicator	Data
Total Hazardous Waste (Tonnes)	62,393.4
Waste Lead-acid Batteries (Tonnes)	62,393.4
Annual Total Hazardous Waste per unit operating revenue (Tonnes/million yuan)	0.87
Total Non-hazardous Waste (Tonnes)	5,373.31
Total Non-hazardous Waste from shelter (Tonnes)	4,859.4
Waste Air Conditioners of the Shelters (Tonnes)	3,868.6
Waste Switch-mode Power Supply of the Shelters (Tonnes)	990.8
Total Non-hazardous Waste from office (Tonnes)	513.91
Office Papers (Tonnes)	513.78
Waste Electronics (Tonnes)	0.13
Annual Total Non-hazardous Waste per unit operating revenue (Tonnes/million yuan)	0.07

Note:

- Due to the natural of the Company's business, The main hazardous waste is the lead-acid battery used in the shelter. The weight of discarded lead-acid batteries is estimated according to the data collected by the equipment model.
- In terms of the disposal and use of waste lead-acid batteries, the company strictly handles waste lead-acid batteries in accordance with laws and regulations such as the environmental protection law of the People's Republic of China, the law of the People's Republic of China on the prevention and control of environmental pollution by solid waste, and the technical specification for pollution control of waste lead-acid batteries (HJ 519-2009).
- The scope of office papers includes the annual purchased A3/A4 data from headquarter, provincial offices and municipal offices. The total weight is estimated according paper model.
- Disposal electronics include microcomputer hosts, laptops and printers.

Responding to social expectation and strengthening the fulfilment of corporate responsibility

Securing emergency communication service

The company earnestly fulfills the responsibility and obligation of communication emergency protection. Through constantly improving communication guarantee system, and establishing emergency response management system, the Company provides communication guarantee to rescue and relief work, accidental events and major social events, and deployed an accumulated number of 385,000 persons, 187,000 vehicles and 350,000 diesel generators in 2018.

Securing emergency communication service during Typhoon "Mangkhut"

In middle September 2018, Typhoon Mangkhut landed Guangdong. Confronting such a severe disaster, the Company activated the highest emergency addressing level and commenced a comprehensive fight against the flood and rescue tasks with the firmest attitude, the fullest preparation, the quickest action and the most powerful facilities. With the early warning and early deployment practice, the Company implemented various communication facilities securing measures on a list base, drew up a list of sites to be secured in case of emergency using the emergency management system and sheltered 854 gasoline or diesel power generators in advance. In respect of this communication securing, the tower company deployed an accumulated number of 15,954 repair personnel, 6,412 repair vehicles and 9,899 gasoline or diesel generators, providing a strong protection for the life and safety of the mass public.

Securing emergency communication service during freezing disaster

Since December 2018, Guizhou Province, Hubei Province, Hunan Province, Anhui Province and Jiangxi Province were hit by a series of low-temperature freezing disasters, the Company commenced a series of comprehensive fights against the disaster by starting the emergency system against snow and ice condensation, the monitoring efforts of monitoring centers at all levels were strengthened, and the safety hidden dangers of communication facilities along the high-speed rail lines, transportation hubs and areas with dense population that were seriously affected by snow and ice disaster were emphatically investigated, so as to make preparations for emergency treatment. In respect of this communication securing, the tower company deployed an accumulated number of 7,155 repair personnel, 3,880 repair vehicles and 9,984 gasoline or diesel generators, providing a strong protection for the safety of telecommunication equipment.

Implementing measures in targeted poverty alleviation

Leveraging on the advantages of its own industrial resources, the Company has actively promoted the effective integration of telecommunications service and poverty alleviation in respect of communications and intensified its effort on poverty alleviation in respect of communications. In addition, the Company supported the construction of communication infrastructure for remote areas in line with the network coverage of the telecommunication service operators, which is vital in assisting to improve network coverage of remote areas. Besides, the Company actively carried out targeted poverty alleviation, helped targeted areas to raise income levels, and accelerated the pace of getting rid of poverty and generating wealth.

Enthusiastic volunteer service

The Company regards performing the important responsibility as a corporate citizenship and assumes the social responsibilities actively while providing quality services to customers. The Company strives to promote our staff's understanding of corporate culture, encourages our staff to exert the philosophy of volunteer service, guides the provincial branches to carry out volunteer activities and events for caring the local community.

In 2018, the Company organized a young volunteer community service event titled "New Youths' Volunteer Service from the Heart in New Era" (新時代新青年志願服務從心出發). The Company totally organized 237 volunteer activities, with a total time of staff volunteer services of 4,700 hours, and donated various assuring gifts and consolation payment amounts to RMB200,000. Meanwhile, various provincial branches of the Company actively participated in the community activities of the streets where their offices located. Young volunteers vigorously participated in helping the elder and caring for the children activities. In the Children's Day (1 June) and Chung Yeung Festival in 2018, approximate 400 young volunteers from 53 volunteer teams of our provincial branches and municipal branches went to the elderly homes and children's homes in the communities and streets where their offices located for visit and extend sympathy to lonely senior citizens and orphans and sent them holiday greetings.

Establishing a strong support and assurance, focus on improving service quality

Putting great efforts on work safety

Work safety

The Company highly regards the administration of work safety, strengthens safety awareness, implements safety accountability, implements safety system and insists in safety first. The Company strictly complies with the relevant laws and regulations such as the Production Safety Law, the Regulations on the Administration of Work Safety of Construction Projects and the Provisions on the Administration of Work Safety of Telecommunications Construction Projects and strictly implements the work requirement of communication engineering quality and production safety management of Ministry of Industry and Information Technology of the People's Republic of China. In addition the management system approved and implemented internally such as the Regulations on the Administration of Work Safety of China Tower Corporation Limited (Trial) and the Administration of Work Safety Manual. The Company also established a safety inspection mechanism to screen out potential safety risk and make practical rectification to ensure that work safety is effectively implemented.

During the project construction, the Company strictly implements the accountability for administration of safety and the reporting system of work safety, establishes the emergency contingency plan for work safety accidents, standardizes the rules and systems of work safety and operating procedure and strengthens education on work safety. The work safety payment shall be paid to the construction party prior to the commencement of the project timely for purchase the safety protection items for construction in advance. Such payment shall be guaranteed to be earmarked for work safety and ensured for the improvement of work safety conditions. The Company strictly requires employing site responsible officers, work safety management and specialized construction operators to hold the relevant licenses.

During the project operation, the Company establishes a routine inspection system for site facilities in accordance with the safety operation requirements of tower base stations. In respect of telecommunications towers, the Company carries out inspection for the sites semi-annually, while carries out inspection for the important sites quarterly. In respect of the shelters and power ancillaries, the Company carries out inspection for the sites semi-annually, while carries out inspection for the important sites monthly. For the hidden safety dangers identified during the inspection, the Company shall send orders to maintenance teams for following and handling, so as to eradicate hidden dangers at source by pre-inspection and pre-maintenance assured by the closed-loop management model for improving safety of equipment and operation.

The Company focuses on the analysis of the eight major types of common safety accidents such as falling from height and electric shock, in order to improve our staff risk awareness of work safety. The Company complies the Handling Measures for Report and Inspection of Work Safety Accident of China Tower to standardize the handling process of accident report. For cooperation units, the Company strengthens the evaluation of safety accident accountability and establishes a reward and punishment mechanism.

Safety overhaul

In order to further strengthen administration of work safety and improve an accountability system of all level of units, the Company organizes the safety overhaul for the system annually by focusing on safety issues such as office operation and project construction and maintenance. Carries out continuous supervision and inspection on the issues identified in the inspection, and makes thorough rectification to eliminate hidden dangers.

During the work safety overhaul in 2018, the Company set up 10 inspection teams, which totally inspected around 120 specific inspection items divided in four areas, namely integration, construction, maintenance and cooperation units. It covered offices, construction sites, sites completed and operated on-grid, stationed construction units, stationed maintenance units, warehouses, vehicles and specialized operators of 31 provincial branches. Branches at all levels seriously carried out rectification for hidden dangers, inspected and rectified themselves, took combined measures and had the encourage to innovate through this overhaul. Hidden dangers identified during the inspection were screened and rectified and the administration of safety was further strengthened, the awareness of safety was further enhanced, and the administration of work safety capability of the Company was enhanced significantly. Meanwhile, the overhaul also improved the awareness of safety of all regions and all construction and maintenance units, as well as further promoted the implementation of various management systems for eradicate occurrence of accidents practically and provided a stable and safe work environment for telecommunications network.

Safety education

Regular safety education is also an important measure that reduces the occurrence of safety incidents. The Company formed a professional training team for production safety education dedicated to raise safety awareness of the staff. The Company holds activities in the annual production safety month and organizes training with the theme of controlling the safety and quality of communications construction. The message of "life and safety first" is vigorously promoted. The requirements for administration of quality supervision and work safety of communications projects stipulated by the Ministry of Industry and Information were implemented. All these measures helped raise the safety administration standard of the company.

Quality and safety training conferences

On 11 May 2018, the Company convened a training conference on tower quality and safety in Yueyang, Hunan with over 100 participants who are staff in charge of construction department and maintenance department of provincial branches. Staff of tower inspection, design, supervision and construction entities were also invited to take part in professional trainings. Participants had group discussions on the quality and safety of towers. Representatives from each group conducted whole-process analysis on different aspects of tower engineering, including procurement, design, installation and maintenance, and made suggestions on how to guarantee the quality and safety of towers in future.

Improving service quality

Site operation and maintenance

Adhering to its focus on customer-oriented service, the Company makes continuous improvement in the quality of maintenance. On the basis of providing power access, we provide sustainable backup power with backup batteries and diesel generators for the stable operation of telecommunications equipment during a disruption in utility electricity. The Company has installed power and environment monitoring system at all sites equipped with power facilities, allowing immediate collection of information on power outage and its upload to the operation and maintenance monitoring platform. The operation and maintenance monitoring platform send orders to maintenance staff with precision according to the sustainability of battery in the shelter (cabinets) to guarantee prompt response to demands for power generation.

Besides, by innovatively adopting the "wireless, Internet+, large platform" model, the Company built a countrywide centralized Internet-based operation and maintenance monitoring platform, which centralized monitoring of over a million sites across the country. An operation and maintenance mechanism with "first-class platform, centralized management, local maintenance" was formed, realizing intensive and highly efficient operation and maintenance. The number of towers managed per capita is significantly higher than the industry average. It not only meets the requirements of full set equipment monitoring and network service guarantee, but also lays a favorable foundation for TSSAI business expansion.

Customer service

The Company strives to provide better service for customers and it has built a comprehensive customer service process, diverse customer service channels and effective assessment mechanism for customer service. For more tailored service for customers, the Company formulated the Customer Service Standards and actively promoted it at all provincial branches and municipality branches. It also paid close attention to customers' experience at the forefront of customer service and improved service standard through regular work mechanisms such as planning regular service meetings and monthly service report. The Company has conducted customer satisfaction survey for three consecutive years to look into the shortcomings in its service in order to make continuous improvement in service quality. While providing quality services for customers, the Company strictly protects customer data and information, and reduces the risk of customer information leak by improving the customer information management platform and setting the access rights of customer information.

Regarding complaint management, the Company established complaint management system, which further enhanced quality control of complaints and facilitated good regulation of complaint management in relation to customer service. To improve the customer experience and reduce the number of complaints, the Company adopted the pre-management model in handling complaints at branches and proactively looked into daily concerns of customers. Any events that may lead to potential occurrence of or conversion to customer's complaints should be resolved at the preliminary stage whenever possible. The Company's headquarter will include the assessment results of customer complaint management of provincial and municipality branches in the scope of reporting and evaluation to strengthen performance management and improve the proactiveness of customer service personnel.

The Company has set up various channels for handling complaints which cover both online and offline channels. Customers can make complaints via WeChat public account, the China Tower APP, offline service team, regular meetings for service communication, 10096 hotline, email and mail. The Company achieved closed-loop management of complaints. All complaints are recorded on the standard business platform and undergo a whole-process closed-loop tracking management. In order to improve the efficiency of handling complaints, the handling of general complaints is required to be completed within 3 working days and the handling of urgent and significant complaints must be completed within 1 working day.

Strengthening compliance management, and consolidating the foundation of corporate development

Strengthen anti-corruption initiatives

The Company strictly complies with anti-corruption and anti-money laundering relevant laws and regulations, such as the Measures for Supervision and Administration over Job-related consumption by Persons in Charge at State-owned Enterprises and the Anti-money laundering law of the People's Republic of China. The effort in creating a corporate culture which emphasizes integrity provides a strong safeguard for the healthy development of the Company.

In 2018, the Company focused on building the three defense systems, namely business supervision, audit supervision and discipline supervision. Multiple supervision approaches were adopted to continuously strengthen the joint force of supervision. In respect of business supervision, the Company furthered the implementation of the embedded prevention system for integrity risks. Risk points of professional domains were identified and corresponding preventive measures were formulated, rendering the management and control of major integrity risks possible. In respect of audit supervision, internal audit was closely integrated into anti-corruption effort of the Company and the audit management system was reformed. Six regional auditing branches were also established across the country to conduct independent audit supervision and internal assessment. In terms of discipline supervision, the company continuously strengthens supervision and accountability, improves supervision mechanism and improves supervision efficiency.

In respect of publicity and education on professional integrity, the Company established a diverse online publicity and education platform through measures including setting up a column on web portal and starting a WeChat public account. Cautionary education was strengthened in combination with integrity alerts for holidays and meetings of cautionary education. As of 2018, the accumulated number of anti-corruption education activities organized was 2,158 in total and the staff coverage of integrity education reached 100%.

Protection of brands and intellectual property rights

In the process of external brand promotion, the Company strictly abided by the requirements of the Advertising Law of the PRC and the relevant competent authorities such as the MIIT; and safeguarded its own legitimate rights and interests. Comprehensively improving the Company's brand image was also an important task of China Tower in its development strategy. The Company communicated its service objectives, behaviors and functions to the public through the issuance of "China Tower Corporation Limited Identification System Manual", supplemented with multi-channel external promotion and internal publicity activities, which regulated the use of its brand image and strengthened its corporate identity.

In compliance with the requirements of the Anti-Unfair Competition Law of the PRC, the Trademark Law of the PRC and the relevant laws and regulations, the Company protects intellectual property rights. The Company has established internal patent management measures, set strict review procedures, enhanced employees' management awareness, and improved the management of its major patents.

Improving supply chain management

The Company implemented supply chain management in strict accordance with national laws and regulations, actively deepened cooperation with suppliers and promoted the healthy development of the industry.

Supplier access management measures

The Company has established management measures such as "Procurement Management Measures of China Tower Corporation Limited (For Trial Implementation)", which provided for specific eligibility standards for various suppliers. For tower suppliers (also the constructors), the Company required them to have the IS09000 quality management system certification and the production safety system related certification. Construction workers and project managers were required to have the respective qualification certificates. For switching power supply and battery suppliers, the Company required them to have the IS09000 quality control system certification, the IS014000 environmental management system certification and the IS018000 occupational health management system certification. For lead-acid battery suppliers involved in recycling, they are required to have recycling qualifications.

Clean procurement management

To strengthen clean procurement, the Company provided that an integrity contract had to be signed when a contract was signed with a supplier, which required both parties to conduct business cooperation in strict accordance with national laws and regulations and the requirement of "Ten Forbidden Things for Clean Operations (廉洁從業十不准)" of China Tower Corporation Limited. Besides, the Company's disciplinary inspection staff as the supervisors had to witness and confirm the integrity contract signed by the Company and the supplier.

Procurement model management through e-commerce

The company continuously optimizes the procurement management process, explores and applies innovative e-commerce procurement models taking into account its actual situation. Relying on Internet technology, the Company independently built and operated a tower online business platform under the national primary framework, result in a internally and externally transparent. The Company continued to create an intensive, efficient, regulated and transparent procurement supply chain system, which effectively ensured the healthy commencement of its production operations. The Company satisfied the demand for office logistics materials of all basic entities by directly connecting to the mainstream e-commerce platforms. The entities could make purchases by placing orders online according to their demand. The whole process of procurement was open and transparent, and the process was paperless. The Company conducted one-point reconciliation and settlement with e-commerce operators, which significantly improved the efficiency of the process and guaranteed a health development of business operation.

Caring for the development of employees with continuous initiatives to boost organization vitality

Protecting the legitimate rights and interests of employees

The Company has been in strict compliance with the laws and regulations of the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, and conscientiously executed the relevant regulations of Interim Measures for the Management of Employee Recruitment of China Tower Corporation Limited. To build a fair labor relationship, the Company adheres to the open and fair principles in the course of recruitment, eradicates sexual and ethnic discrimination, employment of child labor and practice of forced labor, and signs official labor contracts with the employees. It protects the basic interests of the employees by adopting democratic procedures in respect of rules and systems that directly involve the interests of employees or major issues, and conducts negotiations on a fair basis with the representatives of labor union or employee representatives.

The Company has strictly complied with the basic welfare systems across the country, whereby it made contribution for social insurance in respect of basic pensions, basic medical, unemployment, injury and maternity for employees according to law, and made registration for voluntary supplementary medical insurance and corporate annuity for its employees; strengthened labor protection, enhanced implementation of annual leaves and improved conditions for production. In 2018, the Company adopted full coverage program of annual body check for employees. The Company was awarded the Top 10 Employers with Social Responsibility in 2018. As at 31 December 2018, the Company had 23,371 staff, of which 18,039 were on contract basis while 5,332 staff were on other basis.

Caring for the physical and mental health of employees

The Company actively initiates "tete-a-tete" with all the employees for establishing a smooth channel of communication and a harmonious relationship with the employees. With a series of measures of care and assistance, employees with difficulties and of minor grades have received more help; consolation activities for employees were also conducted using the opportunities of festivals. To enrich employees' working life, the Company organized labor and skills competitions, technology innovation and cultural and physical activities for employees, mobilizing employees' participation of competitions and activities in addition to their holding fast to positions while promoting a positive, healthy and harmonious atmosphere.

Ping-pong competition of the Company

Competition of emergency protection skills

Sound Training System

The Company has built a solid concept of "Development as the major task and Talents as the primary resource" by focusing on the development of employees and establishing of a training system with comprehensive trainings of different levels and professions for the management, professional technicians and frontline staff, whereby supporting effectively the rapid development of the Company's professional competence and comprehensively enhancing competitive strength of the Company.

Skills certification training

The Company pays attention to the skills training of personnel in key positions, and provides targeted internal training in combination with job requirements to help employees continuously improve their professional competence. In December 2018, the Company organized the national certification examination for business cooperation positions, and 441 employees passed the examination and obtained the professional qualification for purchasing and material management positions. In the future, the Company will gradually implement the certification system, enrich the content of skills certification training, broaden the career development channel of path.

Optimizing and Innovating of Incentive System

With value of position as the core and the orientation of performance and competence improvement, the Company determines the grade and remuneration package of employees on the basis of value of position, work performance and quality of competence, provides multiple development path to expand the room of development for the employees and adopts a flexible and dynamic system of management, effectively attracted, motivated and retained talents.

In respect of employee performance management, the company has established a performance management system with the goal of realizing corporate strategy, improving organizational performance and constraining business risks. With a breakthrough in traditional performance management in respect of restriction of assessment in lieu of management and assessment only without management, the Company has placed an emphasis on full course of performance, advocated immediate communication and coordination and evaluation in time, adjusted the proactivity, initiative and creativity of employees, and demonstrated the functions in guidance and counseling of the management, with which performance management has become an efficient tool for implementing corporate strategies and improving employees' ability. At the same time, the Company through the construction of short-term, medium-term and long-term combination of incentive mechanism, the formation of obligations and rights, incentives and constraints unified incentive system. In the future, the Company will continue to explore incentive mechanisms that can promote closer integration of management, employees and the Company's development.

In respect of employee development, the Company has established a dual access in respect of management order and business technology order, which, to the greatest extent, built a platform for the employees to demonstrate their talents and realize their own value, satisfying the need for development of the employees with different career interest and competence quality. In addition, the employees are given a clear picture of the rules of promotion and a planned development path to allow persistent progress and growth for staff of all levels, thus creating a people-oriented environment with mutual growth.

Shareholder Information

2019 Calendar

Announcement of 2018 annual results	4 March
Annual General Meeting	18 April
Last day to register for 2018 final dividend	30 April
Closure of register of members	2 May to 7 May
Expected payment date of 2018 final dividend	On or about 28 June

Stock Code

H Share

Hong Kong Stock Exchange	0788
Reuters	0788.HK
Bloomberg	788 HK Equity

Shareholder Services

Any matters relating to your shareholding, such as transfer of shares, change of name or address, and loss of share certificates should be addressed in writing to the Registrar:

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong
Tel : (852) 2862 8555
Fax : (852) 2865 0990
Email : hkinfo@computershare.com.hk

Shareholder Enquiries

Shareholders are, at any time, welcome to raise enquiries to or request information (to the extent the information is publicly available) from the Board and management by writing to:

The Company Secretary
China Tower Corporation Limited
Room 3401, 34/F, China Resources Tower, 26 Harbour Road, Wanchai, Hong Kong

Investor Relations

For enquiries from investors and securities analysts, please contact:

Investor Relations Team
Tel : (852) 2811 4566
Email : ir@chinatowercom.cn

Independent Auditor's Report

pwc

羅兵咸永道

To the Shareholders of China Tower Corporation Limited
(incorporated in the People's Republic of China with limited liability)

OPINION

What we have audited

The consolidated financial statements of China Tower Corporation Limited (the "Company") and its subsidiaries (the "Group") set out on pages 113 to 166, which comprise:

- the consolidated balance sheet as at 31 December 2018;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Revenue recognition of the Tower business
- Changes of estimated useful life of property, plant and equipment

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition of the Tower business Refer to Note 2.19 – Revenue, Note 2.21 – Leases, Note 4 – Critical accounting estimates and judgements and Note 6 – Operating revenue to the consolidated financial statements. The Group entered into commercial pricing agreements and individual tower site contracts with three telecommunications service providers and their respective subsidiaries/branches with multiple components including the Provision of Site Space, Maintenance services and Power services ("Tower business"). The Group identifies and accounts for the Provision of Site Space as an operating lease in accordance with IAS 17 and Maintenance services and Power services in accordance with IFRS 15. The total transaction price is separately allocated to the lease and service components. We focused on this area due to the large volume of transactions and the complexity of calculations and allocations of transaction prices to the various components described above. In respect of lease component, the management assessed the lease classification which involved significant judgements, especially in the areas of estimated useful lives of leased assets and present values of minimum lease payments.	In response to this key audit matter, we performed the following procedures: 1. Evaluated and tested the key controls over the capturing, measurement and recording of revenue transactions; 2. Evaluated the appropriateness of the accounting policies on revenue recognition for multiple components based on the business model and commercial pricing agreements; 3. Tested the accuracy of revenue on a sample basis by testing the mathematical accuracy of the calculations and checking to the relevant contracts and other supporting documents; 4. Confirmed key terms and revenue amounts with customers on a sample basis. In respect of the appropriateness of the judgements made by management in determining the lease classification, we performed the following procedures: 1. Evaluated the appropriateness of management's judgements and assessment on the impact of the key terms (such as lease period and minimum lease payments) on the lease classification; 2. Compared the lease term with the estimated useful lives of the leased assets, and examined the related technical reports and other supporting documents; 3. Compared the present value of minimum lease payments with the fair value of leased assets, tested the accuracy of related calculations, and assessed the reasonableness of the interest rate implicit in the lease with reference to the incremental borrowing rate of the Group.

KEY AUDIT MATTERS (Continued)

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the Key Audit Matter</th></tr>
<tr><td></td><td>Based on the procedures performed, the revenue recognised and the significant judgements made by management above were supported by the audit evidences we obtained.</td></tr>
<tr><td>Changes of estimated useful life of property plants and equipment

Refer to Note 2.1.3 – Changes in accounting estimates and Note 4 – Critical accounting estimates and judgements to the consolidated financial statements.

Starting from 1 January 2018, the Group changed the accounting estimates of the estimated useful life of Self-built Towers, after considering various factors including the change of construction standards and methodology, the assessment of future technological requirements of 5G telecommunications networks, and the issuance of favourable government regulations.

We focused on this area because of the significant judgements made by management in reassessing the estimated useful life of the assets and the significant impact of this change of accounting estimate on the consolidated financial statements for the year ended 31 December 2018.</td><td>In response to this key audit matter, we performed the following procedures:

1. Evaluated and tested the key controls over management's judgement and estimates in determining the estimated useful life of property, plant and equipment.

2. Evaluated the reasonableness of management's assessment by performing the following procedures:

• Enquired with the relevant engineers and examined the technical reports on construction methodology and technologies of Self-built Towers, external industry and technological publications, and relevant government regulations;

• Examined the Group's future operation plans and historical utilisation records with reference to the technical documents described above;

• Compared the new estimated useful life of Self-built Towers with reference to those adopted by other comparable companies in the industry.

3. Tested the accuracy of management's calculation of the disclosed financial impact on depreciation expenses associated with the change of estimated useful life of Self-built Towers.

Based on the procedures performed, the significant judgements and estimates made by the management were supported by the audit evidences we obtained.</td></tr>
</table>

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wong, Stephen.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 4 March 2019

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

	Note	Year ended 31 December 2018 RMB million	2017 RMB million
Operating revenue	6	**71,819**	68,665
Operating expenses			
Depreciation and amortisation	2.1.3	**(32,692)**	(32,642)
Site operating lease charges		**(12,196)**	(11,336)
Repairs and maintenance		**(6,165)**	(6,156)
Employee benefits and expenses	7	**(4,917)**	(4,229)
Other operating expenses	8	**(6,768)**	(6,587)
		(62,738)	(60,950)
Operating profit		**9,081**	7,715
Other gains	9	**153**	149
Interest income		**248**	104
Finance costs	10	**(6,007)**	(5,283)
Profit before taxation		**3,475**	2,685
Income tax expenses	11	**(825)**	(742)
Profit for the year		**2,650**	1,943
Other comprehensive income, net of tax		**–**	–
Total comprehensive income for the year		**2,650**	1,943
Profit and Total comprehensive income attributable to:			
Owners of the Company		**2,650**	1,943
Non-controlling interests		**–**	–
		2,650	1,943
Basic and diluted earnings per share (in RMB Yuan)			
Basic/diluted	12	**0.0179**	0.0150

The notes on pages 117 to 166 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

	Note	As at 31 December 2018 RMB million	2017 RMB million
Assets			
Non-current assets			
Property, plant and equipment	13	**249,055**	258,138
Construction in progress	14	**12,193**	10,930
Long-term prepayments	15	**13,216**	9,910
Deferred income tax assets	16	**706**	689
Other non-current assets	18	**8,395**	12,459
		283,565	292,126
Current assets			
Trade and other receivables	19	**19,158**	15,262
Prepayments and other current assets	20	**7,805**	7,403
Cash and cash equivalents	21	**4,836**	7,852
		31,799	30,517
Total assets		**315,364**	322,643
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	22	**176,008**	129,345
Reserves	23	**4,494**	(1,850)
Total equity		**180,502**	127,495
Liabilities			
Non-current liabilities			
Borrowings	24(a)	**19,064**	43,793
Deferred revenue	25	**1,039**	1,314
		20,103	45,107
Current liabilities			
Borrowings	24(a)	**79,946**	95,260
Deferred consideration payables	24(b)	**382**	17,252
Accounts payable	26	**30,591**	31,906
Accrued expenses and other payables	27	**3,263**	5,400
Current income tax payable		**577**	223
		114,759	150,041
Total liabilities		**134,862**	195,148
Total equity and liabilities		**315,364**	322,643

The notes on pages 117 to 166 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 113 to 166 were approved by the Board of Directors on 4 March 2019 and were signed on its behalf:

TONG Jilu	**FAN Cheng**
Name of Director	Name of Director

Consolidated Statement of Changes in Equity

	Attributable to owners of the Company						
	Share Capital RMB million	Share Premium RMB million	Statutory Reserves RMB million	Retained Earnings RMB million	Total RMB million	Non-controlling interests RMB million	Total Equity RMB million
Balance at 1 January 2017	129,345	–	–	(3,793)	125,552	–	125,552
Profit for the year				1,943	1,943	–	1,943
Other comprehensive income	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	1,943	1,943	–	1,943
Balance at 31 December 2017	129,345	–	–	(1,850)	127,495	–	127,495
Profit for the year	**–**	**–**	**–**	**2,650**	**2,650**	**–**	**2,650**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income for the year	**–**	**–**	**–**	**2,650**	**2,650**	**–**	**2,650**
Net proceeds from issuance of H shares	**46,663**	**3,694**	**–**	**–**	**50,357**	**–**	**50,357**
Transfer to statutory reserves	**–**	**–**	**80**	**(80)**	**–**	**–**	**–**
Balance at 31 December 2018	**176,008**	**3,694**	**80**	**720**	**180,502**	**–**	**180,502**

The notes on pages 117 to 166 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

	Note	Year ended 31 December 2018 RMB million	2017 RMB million
Cash flows from operating activities			
Cash generated from operations	28(a)	**45,757**	34,831
Income tax paid		**(465)**	–
Interest income received		**248**	104
Net cash generated from operating activities		**45,540**	34,935
Cash flows from investing activities			
Purchase of property and equipment		**(32,713)**	(51,837)
Purchase of land use right and other non-current assets		**(282)**	(164)
Proceeds from disposal of property and equipment	28(b)	**80**	86
Payment for investment in associates		**(8)**	–
Net cash used in investing activities		**(32,923)**	(51,915)
Cash flows from financing activities	28(c)		
Proceeds from issue of H shares		**51,165**	–
Payments for listing expenses		**(724)**	–
Proceeds from borrowings		**165,530**	131,479
Repayment of asset-backed note		**–**	(4,950)
Repayments of borrowings		**(205,889)**	(37,973)
Payments of deferred consideration (including value-added tax) for acquisition of Towers Assets		**(16,884)**	(76,631)
Interest paid for interest-bearing liabilities		**(8,832)**	(4,342)
Net cash (used in)/generated from financing activities		**(15,634)**	7,583
Net decrease in cash and cash equivalents		**(3,017)**	(9,397)
Cash and cash equivalents at beginning of year		**7,852**	17,249
Effect of changes in foreign exchange rates on cash and cash equivalents		**1**	–
Cash and cash equivalents at end of year		**4,836**	7,852

Significant non-cash transactions:

For the additions of construction in progress, the Group recorded accounts payables of approximately RMB21,989 million (31 December 2017: RMB26,706 million) to equipment and construction suppliers as at 31 December 2018.

The notes on pages 117 to 166 are an integral part of these consolidated financial statements.

1 GENERAL INFORMATION

China Tower Corporation Limited (中國鐵塔股份有限公司, the "Company") was established by China Mobile Communication Company Limited ("China Mobile Company"), China United Network Communications Corporation Limited ("China Unicom Corporation") and China Telecom Corporation Limited ("China Telecom") (the three telecommunications service providers in China collectively hereinafter referred to as the "Three TSPs") on 15 July 2014 as a limited liability company in the People's Republic of China (the "PRC"), with a total registered capital of RMB10,000 million. Upon its establishment, China Mobile Company, China Unicom Corporation and China Telecom subscribed for 4,000 million shares, 3,010 million shares and 2,990 million shares of the Company respectively, in cash at a par value of RMB1.00 per share, which accounted for 40%, 30.1% and 29.9% of equity interests in the Company respectively.

In 2015, the share capital of the Company was increased to RMB129,345 million, after an acquisition of certain telecommunications towers and related assets (the "Tower Assets") from the Three TSPs and new shares issuance to a new investor, China Reform Holdings Corporation Ltd. ("China Reform"). China Mobile Company, China Unicom Corporation, China Telecom and China Reform held 38.0%, 28.1%, 27.9% and 6.0% of the equity interests in the Company respectively as of 31 December 2017.

On 8 August 2018, the Company completed the global offering of its H shares on the Main Board of The Stock Exchange of Hong Kong Limited and 43,115 million H shares were issued. On 6 September 2018, an additional 3,548 million H shares were issued upon the exercise of the over-allotment options by the international underwriters of the global offering. All newly issued H shares were issued at an offer price of HKD1.26 per share and net proceeds from the new share issuance amounted to RMB50,357 million, after netting off underwriting commissions and other capitalised listing expenses.

The Company and its subsidiary (together, the "Group") principally engaged in constructing and operating telecommunications towers, provision of telecommunications tower site space (the "provision of Site Space"); provision of maintenance services ("Maintenance services") and power services ("Power services"); provision of indoor distributed antenna systems ("DAS") and other trans-sector site application and information services ("TSSAI business"). The provision of Site Space, the Maintenance services and the Power services for tower sites are collectively referred to as the "Tower business". The Company's headquarter is in Beijing, the PRC, with 31 provincial branches operating across mainland China.

These consolidated financial statements are presented in RMB, unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

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

The Group has already adopted IFRS 9 "Financial Instruments" and IFRS15 "Revenue from Contracts with Customers" upon its first time adoption of IFRSs prior to 1 January 2017.

The Group applies all of the new standards, amendment and interpretations to standards that effective from the financial year beginning on 1 January consistently throughout the years ended 31 December 2018 and 2017.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

The consolidated financial statements of the Group have been prepared under the historical cost convention, except certain financial assets or liabilities measured at fair value. For the Tower Assets acquired from the Three TSPs and their parent companies in 2015, the Company uses the purchase considerations, which were negotiated and agreed with these parties as the historical costs of these Tower Assets, such as telecommunications towers, ancillary facilities, equipment and devices.

The financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

2.1.1 Going concern

At 31 December 2018, the Group's current liabilities exceeded its current assets by RMB82,960 million (31 December 2017: RMB119,524 million).

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

- The Group's continuous net cash inflows from operating activities;
- The available committed, unrestricted and unutilized revolving bank credit facilities of RMB150,250 million as at 31 December 2018; and
- Other available sources of financing from domestic banks and other financial institutions.

Based on management's operating and financial plans, the directors of the Company are of the opinion that the Group has adequate funds to continue its operations and to repay its debts when they fall due, and thus concluded that the Group will be able to meet its obligations for the twelve months after 31 December 2018. Accordingly, the consolidated financial statements have been prepared on the basis that the Group will continue as a going concern.

(Expressed in RMB unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.2 Standards and Interpretations in issue but not yet effective and not been early adopted

The following new standards and amendments to existing standards have been issued and are mandatory for the Group's accounting periods beginning on or after 1 January 2019 or later periods, but the Group 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	May 2017	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
Amendments to IAS 19	Employee benefits or plan amendment, curtailment or settlement	February 2018	Annual periods beginning on or after 1 January 2019
Amendments to IFRS	Annual Improvements to IFRSs 2015-2017 Cycle	December 2017	Annual periods beginning on or after 1 January 2019
Amendments to IFRS 3	Definition of a business	October 2018	Annual periods beginning on or after 1 January 2020
Amendments to IAS 1 and IAS 8	Definition of material	October 2018	Annual periods beginning on or after 1 January 2020
Amendment to IAS 28	Long term interests in associates and joint ventures	October 2017	Annual periods beginning on or after 1 January 2019
Amendment to IFRS 9	Prepayment features with negative compensation	October 2017	Annual periods beginning on or after 1 January 2019

None of these IFRS is expected to have a significant effect on the financial information of the Group, except for the following:

IFRS 16, 'Leases'

For the lessee, under IAS 17 lessees were required to make a distinction between a finance lease (on consolidated balance sheet) and an operating lease (off consolidated balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a right-of-use asset for virtually all lease contracts, unless the underlying asset is of low value or they are short-term leases, in the consolidated balance sheet.

For the lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17 except for the definition of lease and accounting for sub-lease. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.2 Standards and Interpretations in issue but not yet effective and not been early adopted (Continued)

IFRS 16, 'Leases' (Continued)

In accordance with IFRS 16, the lessee will recognize right-of-use assets and lease liabilities for almost all leases in the balance sheet, record depreciation or amortisation and finance cost accordingly, and also classify cash repayments of the lease liability into principal portion and an interest portion for presentation in the statement of cash flows. The Group expects the adoption of IFRS 16 will have a material impact on the Group's consolidated financial statements to certain extent as the Group expects a corresponding increase in its assets and liabilities. The prepayment of site ground lease stated in "Long term prepayments" and "Prepayments and other current assets" will be reclassified to right-of-use assets according to IFRS 16. In addition, the related operating lease expenses will be reclassified as depreciation or amortisation and finance costs.

The Group has preliminary completed the review and evaluation of leasing contracts and is in the process of support system optimization and upgrade during 2018, and will apply the standard in the financial year beginning on 1 January 2019. The Group will adopt the simplified transition approach and not restate comparative amounts for the year prior to the first adoption, with the cumulative effect of initial adoption recognized as an adjustment to the opening balance of retained earnings. Right-of-use assets are measured on transition as if the new rules have had always been applied, and lease liability are measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application.

The Company is still assessing the financial impact of this new standard on the Group's consolidated financial statements upon its adoption. As a lessee, the Group had future aggregate minimum lease payments under non-cancellable operating leases (the "Operating Lease Commitment") amounting to RMB30,105 million as at 31 December 2018.

2.1.3 Changes in accounting estimates

Changes of estimated useful life of self-built ground telecommunications towers (the "Self-built Towers")

At the end of each reporting period, the Group reassesses and reviews the estimated useful lives and residual values of its property, plant and equipment. At the end of December 2017, the Group reassessed the estimated useful lives of its towers assets by considering various factors, including the change of construction standards, e.g. the construction materials and methodology used for its Self-built Towers, the assessment of future technological requirements of the 5G communication networks, as well as the issuance of favourable government regulations such as the inclusion of certain telecommunications towers into the urban-rural development plans in the PRC. After the aforementioned reassessment, the Group has concluded to change the estimated useful lives of the Self-built Towers from 10 years to 20 years and account for this change of accounting estimates prospectively, starting 1 January 2018. For the acquired towers from the Three Telecom Operators and their parents in 2015, their estimated useful lives will remain unchanged.

After the change of this accounting estimate on 1 January 2018, the depreciation expenses of the Group's Self-built Towers have decreased by RMB2,372 million for the year ended 31 December 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Principles of consolidation and equity accounting

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(b) Separate financial statements

In the Company's balance sheet, investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investments. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(c) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method of accounting, the investments are initially recognised at costs and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investees in the profit or loss, and the Group's share of movements in other comprehensive income of the investees in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amounts of the investments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Company's executive director and senior management (includes two vice-presidents and the chief finance officer, the "CFO").

2.4 Foreign currency translation

Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates ("the functional currency"). The consolidated financial statements of the Group are presented in RMB, which is also the Company's functional currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets and liabilities such as equities classified as at fair value through other comprehensive income are recognised in other comprehensive income.

Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

(Expressed in RMB unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Property, plant and equipment

The Group's property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses (Note 2.8). Historical cost comprises the purchase price and any directly attributable costs of bringing the asset to its working location and condition for its intended use.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the profit and loss during the financial period in which they are incurred.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

	Estimated residual value (%)	Estimated useful life
Buildings	3%	30 years
Towers and ancillary facilities	0-3%	10-25 years
Machinery and electronic devices	3%	5-7 years
Office facilities and others	3%	5-6 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. The Group has changed the estimated useful lives of the Self-built Towers from 10 years to 20 years since 1 January 2018 (See Note 2.1.3 for details).

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains and losses on disposals are determined by comparing the net sales proceeds with the carrying amount and are recognised within "Other operating expenses" in the consolidated statement of comprehensive income.

2.6 Construction-in-progress

The Group's construction-in-progress ("CIP") represents buildings and equipment under construction and pending installation, and is stated at cost less accumulated impairment losses (Note 2.8). Costs include construction and acquisition costs, and interest charges arising from borrowings used to finance the assets during the construction period. No provision for depreciation is made on CIP until such time as the assets are completed and ready for its intended use. When the asset being constructed becomes available for use, the CIP is transferred to the appropriate category of assets.

2.7 Long-term prepayments

The Group's long-term prepayments represent the prepayments for site ground lease and land use rights. Prepayments for site ground lease and land use rights are stated at cost initially and expensed on a straight-line basis over the lease period of sites (generally 3-10 years) or the land use right period (generally 10-30 years).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.9 Financial assets

2.9.1 Classification

The Group's financial assets mainly represent debt investments, such as trade and other receivables. The Group measured these financial assets at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.9.2 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest. For the years ended 31 December 2018 and 2017, the Group only has debt instruments.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial assets (Continued)

2.9.3 Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade and other receivables, the Group applies the simplified approach permitted by IFRS9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. See Note 3.1(b) for further details.

2.10 Trade and other receivables

Trade and other receivables are amounts due from customers for the Tower business, DAS business, TSSAI business and others arising from the ordinary courses of business. They are generally due for settlement within 30 -90 days and therefore are all classified as current.

Trade and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade and other receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the Group's impairment policies and the calculation of the loss allowance are provided in Note 2.9.3 above.

2.11 Cash and cash equivalents

The Group's cash and cash equivalents comprise cash at banks and on hand, short term demand deposits with banks, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

2.12 Share capital

The Company's ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.13 Accounts payable and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Accounts payable and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Borrowings, asset-backed notes and deferred consideration payables

The Group's borrowings and deferred consideration payables are recognised initially at fair value, net of transaction costs incurred. Borrowings and deferred consideration payables are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings and deferred consideration payables using the effective interest method.

For asset-backed notes, the Group securitizes the future cash flows stream arising from the Tower business revenue, through the transfer of the rights to those cash flow streams to securitization vehicles. The securitization vehicles then issue debt securities to third party investors, collateralized by the related future cash flow streams. These asset-backed notes issued by the securitization vehicles are nonrecourse to the Group and are payable only out of collections of the related cash flow streams. The asset-backed notes are accounted for as a financing transaction and recorded as a financial liability in the Group's consolidated balance sheets.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings, asset-backed notes and deferred consideration payables are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.15 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

Capitalisation of borrowing costs is suspended or ceased when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

2.16 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Current and deferred income tax (Continued)

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the PRC where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from the initial recognition of an assets or liability in a transaction other than business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.17 Employee benefits

(a) Short-term employee benefits

Salaries and welfare

Liabilities for salaries and allowance, annual bonuses and paid annual leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are included in accrued expenses and other payables in the consolidated balance sheet.

Medical insurance

The Group's contributions to basic and supplementary medical insurances for its employees are expensed as incurred. The Group has no further payment obligations once the contributions have been paid.

Housing fund benefits

The Group's contributions to the housing fund managed by the local government authorities whereby the Group are required to contribute to housing fund for its employees at fixed rates of the employees' salary costs. The contributions to housing fund are expensed as incurred. The Group has no further payment obligations once the contributions have been paid.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Employee benefits (Continued)

(b) Retirement benefit

The employees of the Group in mainland China participate in the defined contribution pension schemes managed by the local government authorities whereby the Group is required to contribute to the schemes at fixed rates of the employees' salary costs on a mandatory basis.

In addition to the local governmental defined contribution pension schemes, the employees of the Group also participate in a supplementary pension scheme launched by the Group managed by an independent insurance company whereby the Group is required to make contributions to the supplementary pension schemes at fixed rates of the employees' salary costs or in accordance with the terms of the plan, on a contractual and voluntary basis.

The Group's contributions to these plans mentioned above are charged to profit or loss when incurred. The Group has no further payment obligations once the contributions have been paid.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. For the years ended 31 December 2018 and 2017, the Group did not have material termination benefits.

2.18 Provisions

Provisions for legal claims and other obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Revenue

The Group's operating revenue and lease income arise primarily from the Tower business, the DAS business and the TSSAI business. During the years ended 31 December 2018 and 2017, the major customers and tenants of the Group are the Three TSPs in mainland China, namely China Mobile Company, China Unicom Corporation and China Telecom. Other customers include other telecommunication service providers, wireless data providers, government agencies and other users in mainland China. The Tower business, the DAS business and the TSSAI business that comprise multiple components are as below:

- ***Tower business***

  The Group's Tower business includes macro cell business and small cell business to the Three TSPs, both businesses comprise the following multiple components:

  (i) Provision of Site Space

  The Group provides towers and shelters or cabinets, and ancillary equipment to the Three TSPs for installation of their telecommunications equipment.

  (ii) Maintenance services

  The maintenance services includes monitoring equipment operations, routine inspection, device breakdown handling, property upkeep, working environment protection and operation analysis. Through the maintenance services, the Group assists its customers to maintain continuous functioning of their equipment.

  (iii) Power services

  The Group provides power access, batteries or back up power generation to the customers' telecommunications equipment. Utility electricity can be provided to the Group's customers through the power access. In the event of a disruption in utility electricity, the Group provides backup power assurance from batteries. In addition, the Group generates power using gasoline or diesel generators to customers' telecommunications equipment in case that both utility electricity is disrupted and the Group's batteries are exhausted.

- ***DAS business***

  The Group provides DAS system to the Three TSPs for connecting their telecommunication equipment, helping them to receive and send indoor mobile telecommunication network signals, and to enable mobile telecommunication network signals covering buildings, large venues and tunnels (i.e. subway, high-speed railways and highways).

- ***TSSAI business***

  The Group provides various services to customers from different industries mainly based on its site resources as well as power supply, maintenance platform, data transmission network, apart from mounting various types of equipment for customers and maintaining their normal operation, to satisfy customers' requirements of collecting, transmission or application of data information.

The Company entered into the Commercial Price Agreements and related individual site contracts with the Three TSPs for the Tower business and DAS business. The agreements with the Three TSPs consist of multiple components as stated above that are distinct and delivered separately. The total transaction price, as determined on a cost plus basis with adjustment for co-sharing, is allocated to the provision of Site Space, the Maintenance services, the Power services and the DAS services based on the relative stand-alone selling prices. The stand-alone selling prices are determined based on the expected cost plus margin approach.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Revenue (Continued)

The Group, as a lessor, accounts for the provision of Site Space as operating lease (see Note 4.2 for details), such revenue is recognised on a straight-line basis over the lease period. Variable lease payment should be estimated if any. The Group recognises revenue for the Maintenance services, Power services, the DAS services and others when these services are rendered.

Contracts with customers other than the Three TSPs generally include multiple components of services. The performance obligations are generally met over time in the same period and with the same pattern. Accordingly, they are accounted for as a single TSSAI services revenue and recognised when these services are rendered.

Amounts disclosed as operating revenue are net of returns, discount, valued-added taxes ("VAT") of the PRC.

According to the prices stated in the contracts signed by the Group and its customers, the Group issues bills to its customers for the services rendered by the end of each month, and the bills are usually payable within 1-3 months. Accordingly, receivable is recorded and there is generally no contract assets or liabilities nor significant financing component.

For the business transactions involving third parties in providing services to the customers, when the Group has sole discretion in determining the pricing, takes full responsibility of these services provided to the customers, and also is responsible for the customers' complaints and requests, the Group will then consider it controls the specified services before their delivery to its customers and is a principal in the transactions. Accordingly, the Group recognises revenue from the aforementioned business at gross amounts based on the principle role the Group acts during the transactions. For the business transactions where the Group acts an agent instead of a principle, revenue will be recognised at net amounts.

2.20 Interest income

Interest income is recognised using the effective interest method in the consolidated statement of comprehensive income.

2.21 Leases

The Group as lessee

As a lessee, the Group leases certain office premises, telecommunication tower site properties (the "Site Properties") and equipment during its operations. Leases of property and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property and equipment or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Leases (Continued)

The Group as lessor

Lease revenue from operating leases, such as the revenue from the provision of Site Space (See Note 2.19), where the Group is a lessor is recognised in the consolidated statement of comprehensive income on a straight-line basis over the lease term. Continent rents are recognised as incurred. The respective leased assets are included in the consolidated balance sheet based on their nature.

2.22 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred revenue and are credited to the consolidated statement of comprehensive income on a straight-line basis over the expected useful lives of the related assets.

2.23 Related parties

According to International Accounting Standard 24 "Related Party Disclosures", the definition of a related party includes the following persons and entities:

(a) A person (or a close member of that person's family) is related to the Group if the person:
- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group, or of a parent of the Group.

(b) The Group (A) is related to another entity (B) if:
- (i) A and B are members of the same group (that is all entities within a group are related to each other);
- (ii) A is an associate or joint venture of B. In this case A is related to all members of the group that B belongs to;
- (iii) A and B are joint ventures of the same third party, C;
- (iv) A is a joint venture of C and B is an associate of C (or vice versa);
- (v) B is a post-employment benefit plan for the benefit of employees of A or an entity related to A. If A is itself a post-employment benefit plan, any sponsoring employers are also related to A;
- (vi) B is controlled or jointly controlled by a person identified in (a) above;
- (vii) a person who has control or joint control over A has significant influence over B or is a member of the key management personnel of B; or
- (viii) B (or any member of the group of which B is a part) provides key management personnel services to A or A's parent.

In this definition, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Dividend

Dividend to the Company's shareholders is recognised as a liability in the Company's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders.

2.25 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares dividing the weighted average number of ordinary shares outstanding during the financial year (Note 22).

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account of the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (such as cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Financial risk management is carried out by the Group's headquarter financial department ("Finance Department") under the policies approved by the board of directors. The Finance Department identifies and evaluates financial risks in close co-operation with the Group's operating branches or units.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk

(i) Foreign exchange risk

The Group is exposed to foreign exchange risk for its cash and bank deposits denominated in Hong Kong dollars, while the functional currencies of the respective group entity is RMB. As at 31 December 2018, the Group's foreign currency cash and bank deposits represented 3.2% (31 December 2017: Nil) of the total cash and bank deposits and the Group does not expect the appreciation or depreciation of the RMB against Hong Kong dollars will materially affect the Group's financial position and result of operations.

(ii) Interest rate risk

The Group's interest rate risk arises from interest-bearing liabilities. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk, which is partially offset by cash at banks held at variable rates. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, and alternative financing. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift applicable to the Group. The scenarios are run only for liabilities that represent the major interest-bearing positions.

Based on the prevailing market conditions, the Group would determine an appropriate level of exposure arising from cash flow interest rate risk and fair value interest rate risk. Then the Group adjusts the levels of borrowings at variable rates and fixed rates, depending on the assessment of the interest exposure. As at 31 December 2018, the Group's borrowings at variable rates amounted to RMB46,050 million (31 December 2017: RMB35,200 million).

During the years ended 31 December 2018 and 2017, the Group has no position in interest rate swap. For the year ended 31 December 2018, based on the simulations performed, assuming interest rates increase/decrease by 100 basis points, the Group's profit for the year will decrease/increase by RMB56 million (2017: RMB2.3 million) for borrowings at variable rates.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk

Credit risk is managed by sources, including cash at banks, deposits with banks and other financial institutions, as well as credit exposures to customers and other debtors, including outstanding receivables and committed transactions.

Since bank deposits are mainly placed with state-owned banks and other large-scale listed financial institutions, the Group considers that there is no material credit risk regarding the deposits with banks and other financial institutions.

As for trade and other receivables, the Group has credit policy to monitor the level of credit risk. In general, the credit record and credit period for each customer or debtor are regularly assessed, based on the customer's or debtor's financial condition, their capacity to obtain guarantee from third parties, their credit records and other factors such as current market condition. The Group is sensitive to changes in the creditworthiness and financial strength of its main customers due to the importance of these key customers to the overall revenue.

Given the nature of the Group's business, it has significant concentrations of credit risk since there are significant trade receivables due from the Three TSPs (the trade receivable balances due from the Three TSPs accounted for 94.9% of the Group's total trade receivable balances at 31 December 2018 (31 December 2017: 99.4%)). To mitigate this credit risk, the Group timely monitors its receivable balances and all bills should be paid within one to three months that agreed with the Three TSPs. Due to the 3A or above credit rating and business reputation, the credit risks of these three customers are assessed as low. Other third-party customers are mainly local government authorities and state-owned companies, which have a good credit record. The Group regularly monitors their credit records and takes the necessary actions to reduce and control the overall credit risk, such as sending written notice for payment, getting payment guarantee (such as receiving deposits from other commercial customers) and shortening or cancelling credit period.

The Group considers the probability of default upon initial recognition of trade and other receivables which subsequently measured at amortised cost and whether there has been a significant increase in credit risk on an ongoing basis throughout the years. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the trade and other receivables as at the consolidated balance sheet date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant changes to the debtor's ability to meet its obligations
- Actual or expected significant changes in the operating results of debtors
- Significant changes in the expected performance and behaviour of the debtors, including changes in the payment status of debtors in the Group and historical credit loss experience

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

For trade receivables and other receivables from customers (mainly payments made on behalf of customers, which resulted from the contract with customers while acting as an agent), the Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for these receivables due from third parties and related parties. Expected loss rate of these receivables from third parties and related parties arising from the ordinary course of business are assessed to be low, because of the debtor's good background and reputation and no past due and default history. Thus, the loss allowance provision for such balances was not material and no loss allowance provision was recognised for the years ended 31 December 2018 and 2017.

No credit limits were exceeded and no uncollectible receivables were identified during the years ended 31 December 2018 and 2017, and management does not expect any significant losses from non-performance by these counterparties.

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and ensuring the availability of funds. Given the nature of the Group's businesses, the policy of the Group's finance department is to maintain flexibility in funding through having adequate amount of cash and cash equivalents, utilising different sources of financing, and maintaining the availability of committed, unrestricted and unutilised revolving bank credit facilities at its headquarter.

The Group invests surplus cash in short-term time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom. As at 31 December 2018, the Group holds cash and cash equivalents of RMB4,836 million (31 December 2017: RMB7,852 million) to manage liquidity risk.

In addition, the Group considers that it has adequate liquidity and access to medium and long-term financings that enable the Group to meet working capital requirements and commitments for future capital expenditures.

The finance department monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash and cash equivalents to meet operational needs and capital expenditures requirements, while maintaining sufficient headroom on its undrawn committed, unrestricted and revolving committed bank credit facilities (Note 2.1.1). Such forecasting takes into consideration the Group's debt financing plans, covenant compliance (where applicable) and the economic environment.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

The following table sets out the remaining contractual maturities of the Group's financial liabilities at the consolidated balance sheet date, which are based on the undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on prevailing rates at the consolidated balance sheet date) and the earliest date the Group would be required to repay:

	Carrying amount RMB million	Total contractual undiscounted cash flow RMB million	Within 1 year or on demand RMB million	Between 1 and 2 years RMB million	Between 2 and 5 years RMB million	Over 5 years RMB million
At 31 December 2017						
Borrowings	139,053	148,475	100,192	13,117	31,592	3,574
Accounts payable and other payables excluding non-financial liabilities	36,240	36,240	36,240	–	–	–
Deferred consideration payables	17,252	17,927	17,927	–	–	–
	192,545	202,642	154,359	13,117	31,592	3,574
At 31 December 2018						
Borrowings	**99,010**	**104,162**	**82,822**	**4,889**	**14,597**	**1,854**
Accounts payable and other payables excluding non-financial liabilities	**32,552**	**32,552**	**32,552**	**–**	**–**	**–**
Deferred consideration payables	**382**	**397**	**397**	**–**	**–**	**–**
	131,944	**137,111**	**115,771**	**4,889**	**14,597**	**1,854**

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with other telecom service providers, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total interest-bearing liabilities (including borrowings and deferred consideration payables as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

	As at 31 December	
	2018	2017
	RMB million	RMB million
Total interest-bearing liabilities (Note 24)	**99,392**	156,305
Less: cash and cash equivalents (Note 21)	**(4,836)**	(7,852)
Net debt[1]	**94,556**	148,453
Total equity	**180,502**	127,495
Total capital[2]	**275,058**	275,948
Gearing ratio[1]/[2] (Note)	**34.4%**	53.8%

Note: In 2018, due to the global offering of H shares and repayment of interest-bearing liabilities, the gearing ratio decreased.

3.3 Fair value estimation

As at 31 December 2018 and 2017, the Group has no financial assets and financial liabilities measured at fair value. The financial assets and financial liabilities that are not carrying at fair values mainly include trade and other receivables, accounts payable, other payables, deferred consideration payables and borrowings. The Group measures these financial assets and financial liabilities at amortised cost. As at 31 December 2018 and 2017, the Group considers that their carrying values approximate fair value due to the short maturity of the instruments and/or they are bearing interest at market rates.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Estimated useful lives of property, plant and equipment

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives. The Group reviews the estimated useful lives and residual values of the assets annually in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives and residual values are determined based on the Group's historical experience with similar assets, taking into account the change of construction standards and methodology, the assessment of future technological requirements of 5G telecommunications networks, and the issuance of favourable government regulations that would affect their estimated useful lives. The depreciation expense for future periods would be adjusted if there are significant changes from previous estimates. The Group has changed the estimated useful lives of the Self-built Towers from 10 years to 20 years as at 1 January 2018 (Note 2.1.3).

(b) Taxation

The Group is subject to income taxes in mainland China. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

For temporary differences which give rise to deferred tax assets, the Group assesses the likelihood that the deferred tax assets could be recovered. Deferred tax assets are recognized based on the Group's estimates and assumptions that they will be recovered from taxable income arising from continuing operations in the foreseeable future.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.1 Critical accounting estimates and assumptions (Continued)

(c) Impairment of property, plant and equipment

The Group's property, plant and equipment comprise a significant portion of the Group's total assets. Changes in technology, business or industry conditions may cause the estimated period of use or the value of these assets to change. Property, plant and equipment are reviewed at least annually to determine whether there is any indication of impairment.

The recoverable amount is estimated whenever events or changes in circumstances have indicated that their carrying amounts may not be recoverable. An impairment loss is recognised when the asset's carrying value exceeds its recoverable amount. The recoverable amount is determined based on the higher of an asset's fair value less costs of disposal and value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The Group uses all readily available information in determining a reasonable estimation of the recoverable amount, based on reasonable and supportable assumptions and projections of revenue and operating costs. Changes in these estimates could have a significant impact on the recoverable amounts of the assets and could result in further impairment charge in future periods.

4.2 Critical accounting judgement

Classification of leases

As a lessor, the Group classifies its leases into either finance leases or operating leases in accordance with IAS 17 "Leases". Significant judgements and assumptions are required in the assessment of the lease classification. The determination of classification depends on whether the lease transfers substantially all the risks and rewards of the assets to the lessee. In particular, during the assessment, the Group estimates (i) economic lives of lease assets, (ii) the present value of minimum lease payments, and (iii) the fair value of the leased assets. Any future changes to these judgements or assumptions will affect the lease classification and hence the financial performance and financial position of the Group.

The Company entered into a series of service agreements and commercial pricing agreements (the "Commercial Pricing Agreements") and their supplemental agreements with the Three TSPs for the leasing of communication towers and related ancillary facilities by the Three TSPs. Pursuant to the terms of the Commercial Pricing Agreements, all the provincial branches of the Company have entered into provincial and individual tower agreements with the provincial subsidiaries/branches of the Three TSPs, for the Tower business of individual tower sites based on the locational requirements of the Three TSPs, across mainland China. Based on the Company's assessment, at the inception of the leasing of individual towers and related ancillary facilities, the 5 years lease terms does not account for the major part of the economic lives of the towers and the present values of the minimum lease payments from lessee are not considered substantial comparing with the fair values of the corresponding towers. At the end of the lease term, there is no purchase option granted to the Three TSPs to purchase the individual towers. The Company therefore bears any gains or losses in the fluctuation of fair values of the towers at the end of the lease terms. Accordingly, the Company substantially bears all the risks and rewards incidental to the ownership of the towers, and hence accounts for the above leasing of towers and related ancillary facilities as operating leases.

5 SEGMENT INFORMATION

The executive director and senior management, as a decision making group, is the 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 years ended 31 December 2018 and 2017, the Group as a whole is an operating segment since the Group is only engaged in the telecommunications tower infrastructure services and related businesses.

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

6 OPERATING REVENUE

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

	Year ended 31 December	
	2018	2017
	RMB million	RMB million
Tower business (Note (i))	**68,597**	67,085
– Macro cell business	**68,191**	66,828
– Small cell business	**406**	257
DAS business	**1,819**	1,284
TSSAI business	**1,222**	169
Others	**181**	127
	71,819	68,665

Note:

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

	Year ended 31 December	
	2018	2017
	RMB million	RMB million
Revenue from the provision of Site Space	**57,722**	56,559
Revenue from Services*	**10,875**	10,526
	68,597	67,085

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

6 OPERATING REVENUE (Continued)

Note: (Continued)

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

	Year ended 31 December	
	2018	2017
	RMB million	RMB million
China Mobile Company and its subsidiaries	**38,919**	36,804
China Unicom Corporation	**15,764**	16,232
China Telecom	**16,056**	15,467
	70,739	68,503

For the years ended 31 December 2018, the revenue generated from the Three TSPs accounted for 98.50% (2017: 99.76%) of the total revenue.

(iii) In early 2018, after negotiations on arm's length basis, the Company entered into a supplemental agreement (the "Supplemental Agreement") to the Commercial Pricing Agreements with each of the China Mobile Group, China Unicom Corporation and China Telecom to amend certain pricing terms of the previous Commercial Pricing Agreements. The key amendments are the reduction of cost 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 price terms previously set out in the Commercial Pricing Agreements. Should the above pricing changes were made for the whole year of 2017, with other terms remained unchanged, the revenue of the Company's Tower business would have been decreased from RMB 67,085 million to RMB 62,986 million for the year ended 31 December 2017.

7 EMPLOYEE BENEFITS AND EXPENSES

	Year ended 31 December	
	2018	2017
	RMB million	RMB million
Salaries and welfare	**3,715**	3,233
Retirement benefits (Note)	**637**	504
Contributions to medical insurance	**311**	266
Contributions to housing fund	**254**	226
	4,917	4,229

Note: As stipulated by the Government regulations in the PRC, the Group is required to contribute to the state-sponsored retirement scheme for all of its employees in the PRC at 18% to 20% of the eligible salaries of its employees on a monthly basis for the years ended 31 December 2018 and 2017. The state-sponsored retirement scheme is responsible for the entire pension obligations payable to all retired employees and the Group has no further obligations for the actual pension payments or post-retirement benefits.

7 EMPLOYEE BENEFITS AND EXPENSES (Continued)

(a) Directors' and supervisors' remuneration

Directors' and supervisors' remuneration during 2018 is as follows:

	Director/ supervisor's fee RMB'000	Salaries, allowances and bonuses RMB'000	Contributions relating to social insurance, housing fund and retirement scheme RMB'000	Total RMB'000
Executive director				
TONG Jilu (Note (viii))	–	800	161	961
Non-executive directors (Note (i))				
DONG Xin (Note (iv))	–	–	–	–
SHAO Guanglu	–	–	–	–
ZHANG Zhiyong (Note (iv))	–	–	–	–
LIU Aili (Note (iii))	–	–	–	–
WANG Lei (Note (ii))	–	–	–	–
ZHAO Fang (Note (ii))	–	–	–	–
LI Zhangting (Note (ii))	–	–	–	–
SUN Kangmin (Note (ii))	–	–	–	–
SI Furong (Note (ii))	–	–	–	–
MO Dewang (Note (ii))	–	–	–	–
	–	–	–	–
Independent non-executive directors				
SU Li (Note (i)(v))	–	–	–	–
FAN Cheng (Note (v))	40	–	–	40
TSE Yunghoi (Note (v))	100	–	–	100
	140	–	–	140
Supervisors				
LI Wenmin (Note (vi))	–	578	109	687
WANG Hongwei (Note (vi))	–	541	105	646
KE Ruiwen (Note (i)(vii))	–	–	–	–
GAO Lingling (Note (i))	–	–	–	–
GUO Xiaolin (Note (i))	–	–	–	–
SUI Yixun (Note (i)(vi))	–	–	–	–
WANG Zhixue (Note (i)(vi))	–	–	–	–
	–	1,119	214	1,333

7 EMPLOYEE BENEFITS AND EXPENSES (Continued)

(a) Directors' and supervisors' remuneration (Continued)

Directors' and supervisors' remuneration during 2017 is as follows:

	Director/ supervisor's fee RMB'000	Salaries, allowances and bonuses RMB'000	Contributions relating to social insurance, housing fund and retirement scheme RMB'000	Total RMB'000
Executive director				
TONG Jilu (Note (viii))	–	800	148	948
Non-executive directors (Note (i))				
LIU Aili (Note (iii))	–	–	–	–
WANG Lei (Note (ii))	–	–	–	–
ZHAO Fang (Note (ii))	–	–	–	–
SHAO Guanglu	–	–	–	–
LI Zhangting (Note (ii))	–	–	–	–
SUN Kangmin (Note (ii))	–	–	–	–
SI Furong (Note (ii))	–	–	–	–
MO Dewang (Note (ii))	–	–	–	–
	–	–	–	–
Supervisors (Note (i))				
KE Ruiwen (Note (vii))	–	–	–	–
GUO Xiaolin	–	–	–	–
GAO Lingling	–	–	–	–
	–	–	–	–

Notes:

(i) These non-executive directors and supervisors of the Company received emoluments for their services from the related parties. No apportionment has been made as these directors and supervisors of the Company consider it is impractical to apportion their emoluments between the Group and the related parties according to their services provided.

(ii) These directors were resigned from the positions as non-executive directors of the Company with effect from 3 May 2018.

(iii) Mr. LIU Aili, the first chairmen of the first session of the board of directors, resigned from the positions of the chairman of the board of directors and the non-executive director due to change of work arrangement on 21 March 2018.

(iv) Mr. DONG Xin and Mr. ZHANG Zhiyong were appointed as non-executive directors of the Company with effect from 3 May 2018.

(v) Mr. SU Li, Mr. FAN Cheng and Mr. TSE Yunghoi were appointed as independent non-executive directors of the Company with effect from 3 May 2018.

(vi) Mr. LI Wenmin, Mr. WANG Hongwei, Mr. SUI Yixun and Mr. WANG Zhixue were appointed as supervisors of the Company with effect from 3 May 2018.

(vii) Mr. KE Ruiwen were resigned from the position as the supervisor of the Company with effect from 3 May 2018.

(viii) In addition to the director's remuneration in the table, as approved by the board of directors, a special bonus amounted to RMB90 thousand in 2018 (2017: RMB90 thousand) was paid to Mr. TONG Jilu by the Company for his past performance.

7 EMPLOYEE BENEFITS AND EXPENSES (Continued)

(b) Senior management's remuneration

The senior management of the Group had five members (one of them retired after 31 December 2018) for the year ended 31 December 2018, and one of them was director whose remuneration is disclosed in Note 7(a), each remuneration of all five senior management members fell within the band from RMB Nil to RMB1,000,000.

(c) Five highest paid individuals

The 5 individuals whose emoluments were the highest in the Group in 2018 include Nil (2017: Nil) director whose emoluments are reflected in the analysis shown in Note 7(a). The emoluments payable to the remaining 5 (2017: 5) individuals in 2018 are as follows:

	Year ended 31 December	
	2018	2017
	RMB thousand	RMB thousand
Salaries, allowances and bonuses	**4,702**	4,747
Social insurance, housing fund and retirement scheme	**1,199**	1,099
	5,901	5,846

The emoluments fell within the following bands:

	Year ended 31 December	
	2018	2017
Emolument bands (in RMB Yuan)	**Numbers**	Numbers
RMB1,000,000 to RMB2,000,000	**5**	5
Nil to RMB1,000,000	**–**	–

8 OTHER OPERATING EXPENSES

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

	Year ended 31 December	
	2018	2017
	RMB million	RMB million
Power generation charges (Note)	**1,990**	1,957
Site operation and support expenses (Note)	**2,292**	1,900
Losses on write-off/disposal of property and equipment	**843**	1,330
Office lease, property management expenses and utilities	**645**	580
Other taxes and surcharges	**164**	159
Auditors' remuneration	**8**	4

Note:

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

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

9 OTHER GAINS

	Year ended 31 December	
	2018	2017
	RMB million	RMB million
Exchange gain	**94**	–
Others (Note)	**59**	149
	153	149

Note: Others primarily comprise government grants and other gains outside daily operations.

10 FINANCE COSTS

	Year ended 31 December	
	2018	2017
	RMB million	RMB million
Interest on borrowings and asset-backed notes	**5,641**	1,572
Interest on deferred consideration payables	**530**	3,987
Less: Amounts capitalised in CIP (Note)	**(164)**	(276)
	6,007	5,283

Note: The interest rate range of amounts capitalised in CIP in 2018 are 4.11%-4.38% per annum (2017: 3.06%-3.80% per annum).

11 INCOME TAX EXPENSES

The Company and its provincial branches file the PRC enterprise income tax on a consolidated basis. The provision for the PRC enterprise income tax is based on the applicable tax rate on the estimated taxable profits determined in accordance with the relevant enterprise income tax rules and regulations of the PRC.

Taxation in the consolidated statement of comprehensive income represents:

	Year ended 31 December	
	2018	2017
	RMB million	RMB million
Current tax		
Current tax on estimated taxable profits for the period	**842**	223
Deferred tax (Note 16)		
Origination and reversal of temporary differences	**(17)**	519
Income tax expenses	**825**	742

11 INCOME TAX EXPENSES (Continued)

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

	Year ended 31 December	
	2018	2017
	RMB million	RMB million
Profit before taxation	**3,475**	2,685
Tax at PRC statutory tax rate of 25%	**869**	671
Rate differential of certain provincial branches of the Group (Note)	**(50)**	(13)
Adjustment of deferred tax assets due to tax rate changes (Note)	**–**	79
Tax effect of non-deductible expenses	**6**	5
Income tax expenses	**825**	742

Note:

According to the circular of "Deeply Implementation of the western development strategy taxation policy" (Caishui [2011] No.58) issued by the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs of the PRC and relevant PRC enterprise income tax regulations, entities that are qualified and located in certain western provinces of mainland China are entitled to a preferential income tax rate of 15%, certain branches of the Group obtained the approval in 2017 and were entitled to this preferential income tax rate of 15% until 2020.

The adjustment to deferred tax assets due to the decrease of tax rate of these provincial branches was recorded in profit and loss during the year ended 31 December 2017.

12 BASIC AND DILUTED EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the years.

	Year ended 31 December	
	2018	2017
	(Note)	
Profit attributable to owners of the Company (RMB million)	**2,650**	1,943
Weighted average number of ordinary shares in issue (million)	**148,492**	129,345
Basic earnings per share (in RMB Yuan)	**0.0179**	0.0150

Note: As mentioned in Note 1, the Company newly issued 43,115 million shares through its global offering of H Shares on the Main Board of The Stock Exchange of Hong Kong Limited in August 2018, and then an additional 3,548 million H shares upon the exercise of the over-allotment options by the international underwriters of the global offering in September 2018.

(b) Diluted

For the years ended 31 December 2018 and 2017, there were no potential dilutive ordinary shares and diluted earnings per share was equal to basic earnings per share.

13 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB million	Towers and ancillary facilities RMB million	Machinery and electronic devices RMB million	Office facilities and others RMB million	Total RMB million
Year ended 31 December 2017					
Cost:					
Opening balance	–	231,918	45,632	435	277,985
Transfer from CIP	–	34,852	9,948	6	44,806
Additions	587	141	490	340	1,558
Disposals	–	(1,712)	(739)	(1)	(2,452)
Closing balance	587	265,199	55,331	780	321,897
Accumulated depreciation:					
Opening balance	–	(23,607)	(8,515)	(75)	(32,197)
Charge for the year	(2)	(24,294)	(8,220)	(82)	(32,598)
Disposals	–	622	413	1	1,036
Closing balance	(2)	(47,279)	(16,322)	(156)	(63,759)
Closing net book amount	585	217,920	39,009	624	258,138
Year ended 31 December 2018					
Cost:					
Opening balance	**587**	**265,199**	**55,331**	**780**	**321,897**
Transfer from CIP	**–**	**16,120**	**6,397**	**80**	**22,597**
Additions	**1,758**	**38**	**29**	**60**	**1,885**
Disposals	**–**	**(1,293)**	**(974)**	**(20)**	**(2,287)**
Closing balance	**2,345**	**280,064**	**60,783**	**900**	**344,092**
Accumulated depreciation:					
Opening balance	**(2)**	**(47,279)**	**(16,322)**	**(156)**	**(63,759)**
Charge for the year	**(62)**	**(22,324)**	**(10,113)**	**(143)**	**(32,642)**
Disposals	**–**	**1,058**	**287**	**19**	**1,364**
Closing balance	**(64)**	**(68,545)**	**(26,148)**	**(280)**	**(95,037)**
Closing net book amount	**2,281**	**211,519**	**34,635**	**620**	**249,055**

Note: Some sites with towers and ancillary facilities have incomplete title issues (see Note 15), after assessment, the directors of the Company are of the view that there will not be any material adverse impact to the consolidated financial statements and operation of the Group.

14 CONSTRUCTION IN PROGRESS

	As at 31 December 2018 RMB million	As at 31 December 2017 RMB million
Balance at 1 January	**10,930**	13,592
Additions	**23,860**	42,144
Transferred to property, plant and equipment	**(22,597)**	(44,806)
Balance at 31 December	**12,193**	10,930

15 LONG-TERM PREPAYMENTS

Long-term prepayments mainly represent the prepayments for site ground lease for period from 3 to 10 years generally and land use rights of tower sites for period from 10 to 30 years generally. For the year ended 31 December 2018, the amortisation of land use rights amounted to approximately RMB36 million (for the year ended 31 December 2017: RMB32 million).

The Group owns many tower site properties ("Site Properties") such as land use rights or site lease contracts for its operation in mainland China. As at 31 December 2018, some of the Group's Site Properties had incomplete title issues due to lack of title certificates, documents of lease or sublease rights and other reasons. Despite of the fact that the Group has continued to operate these Site Properties, as at the date of approval of these financial statements, the Group is in the process of rectifying the above issues. The Group believes that such issues will not have any material adverse impact on the Group's business operations, financial performance or financial condition, taken into consideration various factors, including the protection of these Site Properties by the relevant policies and regulations for wireless communications networks in the PRC and the ability to redeploy the related tower sites without incurring significant costs etc.

16 DEFERRED INCOME TAX ASSETS

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	As at 31 December 2018 RMB million	As at 31 December 2017 RMB million
Deferred tax assets:		
– Deferred tax asset to be recovered after more than 12 months	**–**	–
– Deferred tax asset to be recovered within 12 months	**706**	689
	706	689

16 DEFERRED INCOME TAX ASSETS (Continued)

The movement in deferred income tax assets and liabilities during the years ended 31 December 2018 and 2017 are as follows:

	At 31 December 2017 RMB million	(Charged)/ credited to profit or loss RMB million	Charged to other comprehensive income RMB million	Credited directly to equity RMB million	At 31 December 2018 RMB million
Deferred tax assets arising from:					
Accrued expenses	**679**	**9**	**–**	**–**	**688**
Deferred revenue	**10**	**8**	**–**	**–**	**18**
	689	**17**	**–**	**–**	**706**

	At 31 December 2016 RMB million	(Charged)/ credited to profit or loss RMB million	Charged to other comprehensive income RMB million	Credited directly to equity RMB million	At 31 December 2017 RMB million
Deferred tax assets arising from:					
Tax losses	867	(867)	–	–	–
Accrued expenses	329	350	–	–	679
Unwinding finance cost	72	(72)	–	–	–
Deferred revenue	12	(2)	–	–	10
	1,280	(591)	–	–	689
Deferred tax liabilities arising from:					
Depreciation allowances in excess of related depreciation	(72)	72	–	–	–
	(72)	72	–	–	–
Deferred tax assets, net	1,208	(519)	–	–	689

For the years ended 31 December 2018 and 2017, there were no unrecognised deferred tax assets in respect of the deductible temporary differences and unused tax losses.

17 SUBSIDIARY

As at 31 December 2018, the details of the Company's subsidiary is as follow:

Name of company	Place of incorporation and kind of legal entity	Particulars of issued and paid up capital USD million	Ownership interests held by the Company	Principal activity
Southeast Asia Tower Co., Ltd.	Vientiane, the Lao People's Democratic Republic, Limited liability company	1.05	70%	Telecommunication tower infrastructure business

Note:

In November 2018, the Company established Southeast Asia Tower Co., Ltd. ("S.A.Tower") together with other two local investors in Vientiane. The Lao People's Democratic Republic. S.A. Tower's registered capital is USD1.5 million. The Company has paid USD1.05 million to S.A.Tower and owned 70% equity interests in S.A. Tower. The other investors will own 30% equity interests in S.A. Tower once they completed their capital injection to S.A.Tower.

S.A.Tower mainly engages in the provision of telecommunication tower infrastructure services in Southeast Asia. As at 31 December 2018, the S.A. Tower has not formally started its business.

As of and for the year ended 31 December 2018, the non-controlling interests in the above subsidiary was not material to the consolidated financial statements of the Group.

18 OTHER NON-CURRENT ASSETS

	As at 31 December 2018 RMB million	As at 31 December 2017 RMB million
Input VAT recoverable – non-current portion (Note (i))	**8,175**	12,337
Others (Note (ii))	**220**	122
	8,395	12,459

Note:

(i) Input VAT recoverable represents the excess of input VAT over output VAT during the years ended 31 December 2018 and 2017. The input VAT recoverable can be carried forward indefinitely to set-off future output VAT in following periods according to the relevant VAT regulations of the PRC. The Group obtained input VAT from its purchase of assets (i.e. towers, equipment and property) and services that are subject to VAT in PRC.

In the second half year 2018, the Group received an one-off refund of input VAT amounting to RMB3,439 million in accordance with the taxation policy (Caishui [2018] No.70) issued by the Ministry of Finance and the State Administration of Taxation on 28 June 2018.

18 OTHER NON-CURRENT ASSETS (Continued)

Note: (Continued)

(ii) Others include: a) purchased software, which are recognised at their initial costs and amortised over their estimated useful lives (generally 5-10 years), and b) the investment to an associate of the Group, Hangzhou Internet of Things Intelligence Industry Corporation Limited ("Hangzhou IOT", a limited liability company established in the PRC), amounted to RMB8 million, which represents 40% of equity interests of Hangzhou IOT as at 31 December 2018. Hangzhou IOT mainly engages in the development and operation of internet of things technology, device and platform in the PRC.

19 TRADE AND OTHER RECEIVABLES

	As at 31 December 2018 RMB million	As at 31 December 2017 RMB million
Trade receivables (Note (a))	**13,534**	10,926
Less: allowance for impairment of trade receivables	**–**	–
Trade receivables- net	**13,534**	10,926
Deposits (Note (b)(i))	**682**	689
Payments on behalf of customers (Note (b)(ii))	**4,941**	3,639
Others	**1**	8
Other receivables	**5,624**	4,336
Trade and other receivables	**19,158**	15,262

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

(a) Trade receivables

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

	As at 31 December 2018 RMB million	As at 31 December 2017 RMB million
Up to 3 months	**13,303**	10,926
3 to 6 months	**102**	–
Over 6 months	**129**	–
	13,534	10,926

19 TRADE AND OTHER RECEIVABLES (Continued)

(a) Trade receivables (Continued)

Trade receivables are analysed by customers:

	As at 31 December 2018 RMB million	As at 31 December 2017 RMB million
China Mobile Group and its subsidiaries	**7,580**	6,216
China Unicom Corporation	**2,380**	1,983
China Telecom	**2,888**	2,660
Others	**686**	67
	13,534	10,926

Trade receivables primarily comprise receivables from the Three TSPs. Other third-party customers are mainly local government authorities and state-owned companies. Trade receivables from customers are mainly due for payment within 1-3 months from the date of billing. Customers with balances that are overdue or exceed credit limits are required to settle all outstanding balances before any further services can be provided. As at 31 December 2018 and 2017, there was no trade receivables past due and impaired.

(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 its customers, on behalf of customers for certain sites electric power charges when the Group provides the services of power access to its customers and acting as an agent. Such Customers usually make payment to the Group within 1-3 months. Due to the financial strength, reputation of these customers, good credit history of these customers, management considers that the expected credit loss is immaterial, therefore no provision for impaired receivables has been made for the years ended 31 December 2018 and 2017.

As of 31 December 2018 and 2017, the above other receivables (other than the payments on behalf of customers) were also considered to have low credit risks. Based on management assessment, no impairment provision has been made for the years ended 31 December 2018 and 2017.

20 PREPAYMENTS AND OTHER CURRENT ASSETS

	As at 31 December 2018 RMB million	As at 31 December 2017 RMB million
Advance prepayments (Note)	**2,454**	2,546
Input VAT recoverable – Current portion (Note 18 (i))	**5,351**	4,829
Others	**–**	28
	7,805	7,403

Note: Advance payment mainly represents prepaid rentals to the landlords of ground lease sites (to be amortised in one year) and prepaid electric powers charges of certain tower sites.

21 CASH AND CASH EQUIVALENTS

	As at 31 December 2018 RMB million	As at 31 December 2017 RMB million
Cash at bank and on hand		
– RMB	**4,683**	7,852
– HKD	**153**	–
	4,836	7,852

The cash at bank and on hand are substantially denominated in RMB. The weighted average effective interest rate ranges from 0.24% to 1.51% per annum for the year ended 31 December 2018 (2017: same).

22 SHARE CAPITAL

Registered, issued and fully paid:

	Year ended 31 December			
	2018		2017	
	Number of ordinary shares million	**Share capital RMB million**	Number of ordinary shares million	Share capital RMB million
At beginning of year	**129,345**	**129,345**	129,345	129,345
Addition in current year (Note (a))	**46,663**	**46,663**	–	–
At end of year (RMB1.00, par value)	**176,008**	**176,008**	129,345	129,345

Note:

(a) In 2018, the Company completed the global offering of its H shares on the Main Board of The Stock Exchange of Hong Kong Limited and issued a total of 46,663 million H shares (including an over-allotment option), see Note 1 for details.

23 RESERVES AND DIVIDENDS

(a) Movements in reserves

	Share premium RMB million	Statutory reserves RMB million (Note)	Retained earnings RMB million	Total RMB million
As at 1 January 2017	–	–	(3,793)	(3,793)
Total comprehensive income for the year	–	–	1,943	1,943
As at 31 December 2017	–	–	(1,850)	(1,850)
As at 1 January 2018	**–**	**–**	**(1,850)**	**(1,850)**
Total comprehensive income for the year	**–**	**–**	**2,650**	**2,650**
Net proceeds from issuance of H shares (Note 1)	**3,694**	**–**	**–**	**3,694**
Transfer to PRC statutory reserves	**–**	**80**	**(80)**	**–**
As at 31 December 2018	**3,694**	**80**	**720**	**4,494**

Note:

Pursuant to Company's Articles of Association and the Company Law of the PRC, the Company is required to appropriate 10% of each year's net profit (after offsetting previous years' losses) to statutory reserves, until such reserve balance reaches 50% of the registered capital of the Company.

The statutory reserves can be used to reduce previous years' losses, if any, and may be converted into paid-up capital, provided that the reserves after such conversion is not less than 25% of the registered capital of the Company.

(b) Dividends

On 4 March 2019, the Board of Directors of the Company proposed the payment of a final dividend of RMB0.00225 per ordinary share to the shareholders for the year ended 31 December 2018, totalling approximately RMB396 million. As the ordinary final dividend is declared after the balance sheet date, such dividend is not recognized as liability as at 31 December 2018.

	Year ended 31 December 2018 RMB million	2017 RMB million
Dividends not recognised at the end of reporting period:		
Proposed final dividend after the balance sheet date: RMB0.00225 (2017: Nil) per ordinary share	**396**	–

24 INTEREST-BEARING LIABILITIES

(a) Borrowings

	As at 31 December 2018 RMB million	As at 31 December 2017 RMB million
Borrowings:		
Long-term borrowings (Note (i))		
– General Borrowings	**14,000**	35,200
– Preferential Borrowings	**9,390**	10,524
	23,390	45,724
Less: Current portion	**(4,326)**	(1,931)
Balance presented in non -current liabilities:	**19,064**	43,793
Short-term borrowings (Note (ii))	**75,620**	93,329
Long-term borrowings – Current portion	**4,326**	1,931
Balance presented in current liabilities:	**79,946**	95,260

Note:

(i) In 2015 and 2016, the Group obtained unsecured long-term RMB denominated loans from China Development Bank via China Development Fund Co., Ltd. (the "Preferential Borrowings") at a preferential interest rate, as the government granted a loan interest subsidy to the Group. The Preferential Borrowings mature in 10 years and are mainly used for telecommunications network and broadband infrastructure improvements in certain rural areas of China.

As at 31 December 2018, the carrying amount of the Preferential Borrowings amounted to RMB9,390 million (31 December 2017: RMB10,524 million). The Group initially recognised the Preferential Borrowings at fair value based on the then prevailing borrowing interest rates in the PRC. The interest subsidy was recognised as a government grant and recorded in deferred revenue, which was amortised to the consolidated statement of comprehensive income to match with the related interest expenses.

The carrying amount of the unsecured general long-term bank borrowings (the "General Borrowings") were RMB14,000 million at 31 December 2018 with maturity of 2 to 5 years (31 December 2017: RMB35,200 million with maturity of 2 to 5 years).

For the year ended 31 December 2018, the effective interest rates of all long-term borrowings were 2.75% to 4.41% per annum (2017: 4.41% to 4.75% per annum).

(ii) As at 31 December 2018, short-term borrowings include short-term loans from China Mobile Communications Group Co., Ltd. ("CMCC") and China Mobile Group Finance Co., Ltd. (a subsidiary of China Mobile Company) of RMB11,000 million (31 December 2017: RMB19,309 million). The remaining short-term borrowings are obtained from commercial banks in the PRC.

For the year ended 31 December 2018, all short-term borrowings are unsecured, which bear interest rates ranging from 2.35% to 4.13% per annum (2017: from 2.35% to 3.92% per annum)..

24 INTEREST-BEARING LIABILITIES (Continued)

(b) Deferred consideration payables

Deferred consideration payables represent the unsettled balance of the purchase consideration for the acquisition of Tower Assets from the Three TSPs and their parent companies in 2015 (Note 1). According to the agreed payment schedule between the Group and the Three TSPs, the Group has settled an amount of RMB16,884 million during the year ended 31 December 2018. As at 31 December 2018, the remaining unpaid balance is related to the input VAT payable to China Unicom Corporation, which will be settled in 2019.

(c) The repayment schedule of the interest-bearing liabilities

As at 31 December 2018 and 2017, interest-bearing liabilities are repayable as follows:

	As at 31 December 2018 RMB million	As at 31 December 2017 RMB million
Within 1 year	**80,328**	112,512
Between 1 and 2 years	**4,276**	11,276
Between 2 and 5 years	**13,518**	29,608
Over 5 years	**1,270**	2,909
	99,392	156,305

(d) The carrying amounts and fair value of the non-current interest-bearing liabilities

The carrying values of non-current interest-bearing liabilities approximate their fair values, as the impact of discounting is not significant. The fair values are based on cash flows discounted using the prevailing market interest rates as at 31 December 2018 and 2017. They are within level 3 of the fair value hierarchy.

25 DEFERRED REVENUE

Deferred revenue mainly represents the government grants obtained by the Group including the interest subsidy associated with the Preferential Borrowings (see Note 24(a)(i)).

26 ACCOUNTS PAYABLE

Accounts payable primarily include payables for construction expenditures, repairs and maintenance and other operation expenditures. Accounts payable are unsecured, non-interest bearing and are repayable in accordance with contractual terms. Accounts payable are all denominated in RMB. Their carrying amounts approximate their fair values due to their short-term maturities.

The aging analysis of accounts payable is as follows:

	As at 31 December 2018 RMB million	As at 31 December 2017 RMB million
Less than six months	**25,722**	27,898
Six months to one year	**3,560**	2,690
More than one year	**1,309**	1,318
	30,591	31,906

27 ACCRUED EXPENSES AND OTHER PAYABLES

	As at 31 December 2018 RMB million	As at 31 December 2017 RMB million
Interest payable	**483**	3,144
Deposits from vendors	**1,244**	1,045
Accrued expenses	**525**	464
Salary and welfare payables	**631**	436
Other tax payables	**112**	137
Deferred revenue	**34**	29
Others	**234**	145
Total	**3,263**	5,400

Accrued expenses and other payables are all denominated in RMB. Their carrying amounts approximate their fair values due to their short-term maturities.

28 CASH GENERATED FROM OPERATING ACTIVITIES AND FINANCING ACTIVITIES

(a) Reconciliation of profit before income tax to net cash (used in)/generated from operations:

	Year ended 31 December 2018 2018 RMB million	2017 RMB million
Profit before taxation	**3,475**	2,685
Adjustments for:		
– Depreciation and amortisation (Note 13, 15 and 18)	**32,692**	32,642
– Losses on write-off/disposal of property and equipment (see Note 8)	**843**	1,330
– Interest income	**(248)**	(104)
– Finance costs (Note 10)	**6,007**	5,283
– Others	**1**	–
Operating cash flows before changes in working capital	**42,770**	41,836
– (Increase)/decrease in trade and other receivable	**(3,896)**	527
– Increase in prepayments and other current assets	**(402)**	(876)
– Increase in long-term prepayments	**(3,172)**	(4,508)
– Decrease/(increase) in other non-current assets	**7,805**	(3,063)
– Increase in accounts payable	**2,103**	400
– Increase in accrued expenses and other payables	**549**	515
Cash generated from operations	**45,757**	34,831

(b) In the consolidated statement of cash flows, proceeds from sale of property and equipment comprise:

	Year ended 31 December 2018 2018 RMB million	2017 RMB million
Net book amount	**923**	1,416
Losses on write-off/disposal of property and equipment	**(843)**	(1,330)
Proceeds from disposal of property and equipment	**80**	86

28 CASH GENERATED FROM OPERATING ACTIVITIES AND FINANCING ACTIVITIES (Continued)

(c) Net debt reconciliation from financing activities:

	As at 31 December 2018 RMB million	As at 31 December 2017 RMB million
Net Debt		
Cash and cash equivalents	**(4,836)**	(7,852)
Borrowings and Asset-backed notes – repayable within one year	**79,946**	95,260
Deferred consideration payables – repayable within one year	**382**	17,252
Borrowings – repayable after one year	**19,064**	43,793
	94,556	148,453

	As at 31 December 2018 RMB million	As at 31 December 2017 RMB million
Net Debt		
Cash and cash equivalents	**(4,836)**	(7,852)
Gross debt – fixed interest rates	**53,342**	121,105
Gross debt – variable interest rates	**46,050**	35,200
	94,556	148,453

28 CASH GENERATED FROM OPERATING ACTIVITIES AND FINANCING ACTIVITIES (Continued)

(c) Net debt reconciliation from financing activities: (Continued)

	Assets	Liabilities from financing activities				
	Cash and cash equivalents RMB million	Borrowing due within 1 year RMB million	Borrowing due after 1 year RMB million	Deferred consideration due within 1 year RMB million	Asset-backed notes due within 1 year RMB million	Total RMB million
Net debt as at 1 January 2017	(17,249)	32,316	12,280	90,499	4,937	122,783
Cash flows, net	9,397	61,013	32,493	(76,631)	(4,950)	21,322
Non-cash movements:						
– Reclassification	–	1,931	(1,931)	–	–	–
– Deferred or accrual	–	–	951	3,384	13	4,348
Net debt as at 31 December 2017	(7,852)	95,260	43,793	17,252	–	148,453
Net debt as at 1 January 2018	**(7,852)**	**95,260**	**43,793**	**17,252**	**–**	**148,453**
Cash flows, net	**3,017**	**(17,709)**	**(22,650)**	**(16,884)**	**–**	**(54,226)**
Foreign exchange adjustments	**(1)**	**–**	**–**	**–**	**–**	**(1)**
Non-cash movements:						
– Reclassification	**–**	**2,395**	**(2,395)**	**–**	**–**	**–**
– Deferred or accrual	**–**	**–**	**316**	**14**	**–**	**330**
Net debt as at 31 December 2018	**(4,836)**	**79,946**	**19,064**	**382**	**–**	**94,556**

29 CONTINGENCIES

As of 31 December 2018 and 2017, the Group has no material contingencies.

30 COMMITMENTS

(a) Capital commitments

As at 31 December 2018 and 2017, the Group had capital commitments for construction expenditures as follows:

	As at 31 December 2018 RMB million	As at 31 December 2017 RMB million
Authorised but not contracted for:		
No later than 1 year	**85**	2,231
Later than 1 year and no later than 5 years	**–**	–
	85	2,231

	As at 31 December 2018 RMB million	As at 31 December 2017 RMB million
Authorised and contracted for:		
No later than 1 year	**1,343**	446
Later than 1 year and no later than 5 years	**–**	–
	1,343	446

(b) Operating lease commitments

The Group leases office premises and site properties for telecommunication towers (as lessee) under non-cancellable operating lease agreements.

The future aggregate minimum lease payments under these non-cancellable operating leases are as follows:

	As at 31 December 2018 RMB million	As at 31 December 2017 RMB million
No later than 1 year	**3,011**	5,539
Later than 1 year and no later than 5 years	**20,903**	9,456
Later than 5 years	**6,191**	4,999
	30,105	19,994

As at 31 December 2018, the Group had future aggregate minimum lease receipts under non-cancellable operating leases (as lessor) during the leasing period (5 years) were RMB244,154 million (31 December 2017: RMB286,165 million).

31 BALANCE SHEET OF THE COMPANY

	Note	As at 31 December 2018 RMB million	2017 RMB million
Assets			
Non-current assets			
Property, plant and equipment		**249,055**	258,138
Construction in progress		**12,193**	10,930
Long-term prepayments		**13,216**	9,910
Deferred income tax assets		**706**	689
Other non-current assets		**8,395**	12,459
Investment in subsidiary		**7**	–
		283,572	292,126
Current assets			
Trade and other receivables		**19,158**	15,262
Prepayments and other current assets		**7,805**	7,403
Cash and cash equivalents		**4,829**	7,852
		31,792	30,517
Total assets		**315,364**	322,643
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	22	**176,008**	129,345
Reserves	23	**4,494**	(1,850)
Total equity		**180,502**	127,495
Liabilities			
Non-current liabilities			
Borrowings		**19,064**	43,793
Deferred revenue		**1,039**	1,314
		20,103	45,107
Current liabilities			
Borrowings		**79,946**	95,260
Deferred consideration payables		**382**	17,252
Accounts payable		**30,591**	31,906
Accrued expenses and other payables		**3,263**	5,400
Current income tax payable		**577**	223
		114,759	150,041
Total liabilities		**134,862**	195,148
Total equity and liabilities		**315,364**	322,643

The balance sheet of the Company was approved by the Board of Directors on 4 March 2019 and was signed by the following directors on its behalf:

TONG Jilu	**FAN Cheng**
Name of Director	Name of Director

32 RELATED PARTY TRANSACTIONS

The Company is a limited liability company established in the PRC. As of 31 December 2018, the Company's main shareholders are China Mobile Company, China Unicom Corporation and China Telecom. The parent companies of the Three TSPs are CMCC, China United Network Communications Group Company Limited ("CUC") and China Telecommunications Corporation ("CTC"), respectively, which are state-owned enterprises ultimately controlled by the PRC government. As a result, CMCC, CUC and CTC, the Three TSPs and their subsidiaries are all considered as the Group's related parties.

CMCC together with China Mobile Company and all their subsidiaries are hereinafter referred to as "CMCC Group"; CUC together with China Unicom Corporation and all their subsidiaries are hereinafter referred to as "CUC Group"; and CTC together with China Telecom and all their subsidiaries are hereinafter referred to as "CTC Group".

(a) Significant transactions with related parties

		Year ended 31 December	
		2018	2017
	Note	**RMB million**	RMB million
Provision of Tower business, DAS and other services	(i)	**70,739**	68,503
Purchases of various goods and services	(ii)	**8,276**	9,644
Rental charges for property and site ground lease	(iii)	**517**	751
Payments on behalf of related parties	(iv)	**21,871**	18,159
Short term borrowings	(v)	**15,526**	23,302
– Principals		**14,950**	23,059
– Interests		**576**	243
Interest expenses related to deferred consideration	(vi)	**530**	3,987

Note:

(i) Provision of Tower business, DAS and other services

The provisions of the Tower business, DAS and other services are based on the agreed terms in the Commercial Pricing Agreements signed by the Company and the Three TSPs, and set out in the individual site service agreements between the provincial branches of the Company and the provincial subsidiaries/branches of the Three TSPs. The prices are determined on a cost plus margin basis, adjusted for different elements including tenancy co-sharing discount, area adjustment rate for different provincial standard construction costs and related operation costs. In early 2018, the Company entered into the Supplemental Agreement to the Commercial Pricing Agreements with each of the China Mobile Company, China Unicom Corporation and China Telecom (see Note 6 for details).

(ii) Purchases of various goods and services

The Group purchases certain equipment, engineering design services, construction and supervision services, maintenance services, communications and IT services from CMCC Group, CUC Group and CTC Group. The transaction prices are mainly determined in accordance with relevant market price or cost-plus basis if no market price or the market price cannot be properly determined.

(iii) Rental charges for property and site ground lease

The Group leases certain properties, site ground and warehouses from CMCC Group, CUC Group and CTC Group. The rents and management fees charged to the Group are mainly determined with reference to the market price or cost-plus basis if no market price or the market price cannot be properly determined.

32 RELATED PARTY TRANSACTIONS (Continued)

(a) Significant transactions with related parties (Continued)

Note: (Continued)

(iv) Payments on behalf of related parties

As mentioned in Note 19 (b) (ii), the Group paid certain sites electric power charges to electricity power companies or third parties, on behalf of the Three TSPs.

(v) Short-term borrowings and interests

The Group obtained the short-term borrowings from CMCC and China Mobile Group Finance Co., Ltd. (a subsidiary of China Mobile Company). These borrowings are unsecured, with interest rates determined by benchmarking to the financial institution's one-year lending rate announced by the PBOC. These short-term borrowings have a maturity period of 3 to 12 months.

(vi) Interest expenses related to the deferred consideration

As mentioned in Note 24 (b), the Group has to pay interests on the deferred consideration associated with the purchase of the Tower Assets in 2015.

(b) Key management compensation

The remuneration of key management personnel is as follows:

	Year ended 31 December	
	2018	2017
	RMB thousand	RMB thousand
Salaries, allowances and bonuses	**3,800**	4,443
Contributions relating to social insurance and housing fund	**328**	374
Retirement benefits	**416**	482
	4,544	5,299

In addition to the remuneration of key management personnel in the table above, as approved by the board of directors, a special bonus amounted to RMB200 thousand was paid to members of key management for their past performance in 2018 (2017: RMB294 thousand).

The key management of the Group had 5 members for the year ended 31 December 2018 (2017: 6 members).

(c) Balances with related parties

(i) Amount due from related parties

	As at 31 December	
	2018	2017
	RMB million	RMB million
Trade and other receivables(1)	**18,379**	15,041
Prepayments and other current assets(2)	**298**	590

(1) Trade and other receivables with related parties mainly arose from provision of the Tower business, DAS services and other services (Note 32 (a) (i) and (iv)).

(2) The balances of prepayments and other current assets at each year end mainly arise from the leasing of certain properties and site ground from related parties as described in Note 32 (a) (iii).

32 RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties (Continued)

(ii) Amount due to related parties

	As at 31 December	
	2018	2017
	RMB million	RMB million
Account payable	**3,233**	7,596
Accrued expense and other payable	**381**	3,157

Apart from the balances of interest payables (non-trade) included in the accrued expenses and other payables arising from the transactions described in Note 32 (a) (v) and (vi), amounts due to related parties mainly arise from the ordinary course of business in respect of transactions with related parties, such as the purchase of goods and services described in Note 32 (a) (ii) and (iii).

All the balances of amount due from/to related parties are unsecured, non-interest bearing and repayable on demand.

(iii) Deferred consideration payables

The balances of deferred consideration payables (non-trade) was RMB382 million as at 31 December 2018 (31 December 2017: RMB17,252 million), arising from the acquisition of Tower Assets in 2015.

(iv) Short-term borrowings from related parties

The balances of short-term borrowings from related parties (non-trade) was RMB11,000 million at 31 December 2018 (31 December 2017: RMB19,309 million), arising from the short-term borrowings with certain related parties as described in Note 32 (a) (v).

(d) Transactions with other state-owned entities in the PRC

The Group operates in an economic regime currently dominated by entities directly or indirectly controlled by the PRC government through government authorities, agencies, affiliations and other organization (collectively referred to as "government-related entities"). Apart from transactions with CMCC Group, CUC Group and CTC Group (Note 32 (a)), the Group has significant transactions with other government-related entities, which include but not limited to the following:

- rendering or receiving services, such as construction services, logistics, transportation and maintenance services, etc.

- purchasing of goods, including use of public utilities

- placing of bank deposits, obtaining bank borrowings

- leasing office buildings or tower sites

These transactions are conducted in the ordinary course of the Group's business on terms comparable with the terms of transactions with other entities that are not government-related. The Group prices its services and products with the counterparties based on commercial negotiations. The Group has also established its procurement policies and approval processes for purchases of products and services, which do not depend on whether the counterparties are government-related entities or not.

33 EVENTS AFTER THE REPORTING PERIOD

(a) Dividend

On 4 March 2019, the Board of Directors proposed a final dividend for the year ended 31 December 2018. Further details are disclosed in Note 23.

(b) Restricted share incentive scheme

On 4 March 2019, the Board of Directors proposed the adoption of a restricted share incentive scheme (the "Scheme") for grant of restricted shares of the Company to qualified participants, including directors, senior management, core technical and management personnel contributing directly to the overall business performance and sustainable development of the Company. The Scheme is subject to the shareholders' approval in the Company's 2018 AGM in April 2019 and the consent by state-owned assets regulatory authorities. The Scheme will be effective for a term of 10 years. The maximum total number of restricted shares to be granted under the Scheme should not exceed 10% of the total issued capital of the Company as at the date of the Scheme approved by the Shareholders at the 2018 AGM.

According to the Scheme, the Company may grant restricted shares to qualified participants, subject to the fulfilment of certain performance conditions by the Group and by the 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 reference price and the pricing reference date of the grant price is the grant date. The pricing reference shall be the higher of (i) closing prices 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 three periods, each for 12 months) after the grant of the restricted shares. In principle, upon the fulfilment of the performance conditions for grant, the grant will be conducted every two years.

The fair value of restricted shares granted under the Scheme will be recognised as an employee benefits expense over the vesting periods (upon the satisfaction of all specified vesting conditions), with a corresponding increase in equity.

As at the date of approval these financial statements, the Scheme has not yet been approved by the shareholders in the Company's 2018 AGM, and no restricted share has been granted.

Financial Summary

(Expressed in RMB unless otherwise indicated)

RESULTS

	2018 RMB million	2017 RMB million	2016 RMB million	2015 RMB million
Operating revenue	**71,819**	68,665	55,997	8,802
Operating expenses				
Depreciation and amortisation	**(32,692)**	(32,642)	(27,585)	(5,138)
Site operating lease charges	**(12,196)**	(11,336)	(9,121)	(1,856)
Repairs and maintenance	**(6,165)**	(6,156)	(5,750)	(1,387)
Employee benefits and expenses	**(4,917)**	(4,229)	(3,743)	(2,840)
Other operating expenses	**(6,768)**	(6,587)	(4,728)	(1,742)
	(62,738)	(60,950)	(50,927)	(12,963)
Operating profit/(loss)	**9,081**	7,715	5,070	(4,161)
Other gains	**153**	149	48	18
Interest income	**248**	104	65	144
Finance costs	**(6,007)**	(5,283)	(5,077)	(747)
Profit/(loss) before taxation	**3,475**	2,685	106	(4,746)
Income tax (expenses)/credit	**(825)**	(742)	(30)	1,150
Profit/(loss) for the year	**2,650**	1,943	76	(3,596)
Other comprehensive income, net of tax	**–**	–	–	–
Total comprehensive income/(loss) for the year	**2,650**	1,943	76	(3,596)

The Company was established on 15 July 2014 and acquired the principal operating assets in October 2015. Therefore, the financial information for the year ended December 31, 2014 was incomparable to those of 2016, 2017 or 2018. Also, the revenue in 2015 was primarily generated from the operations carried out in November and December, and the costs and expenses associated therewith, such as depreciation and amortization, site operating lease charges, repairs and maintenance and finance costs, were also primarily incurred in such two-month period. As such, the results of operations in 2015 are not directly comparable to those of 2016, 2017 or 2018.

ASSETS AND LIABILITIES

	31 December 2018 RMB million	31 December 2017 RMB million	31 December 2016 RMB million	31 December 2015 RMB million
Assets				
Non-current assets				
Property plant and equipment	**249,055**	258,138	245,788	203,886
Construction in progress	**12,193**	10,930	13,592	19,807
Long-term prepayments	**13,216**	9,910	5,385	7,089
Deferred income tax assets	**706**	689	1,208	1,238
Other non-current assets	**8,395**	12,459	6,130	5
	283,565	292,126	272,103	232,025
Current assets				
Trade and other receivables	**19,158**	15,262	15,789	20,537
Prepayments and other current assets	**7,805**	7,403	6,527	2,923
Cash and cash equivalents	**4,836**	7,852	17,249	13,653
	31,799	30,517	39,565	37,113
Total assets	**315,364**	322,643	311,668	269,138
Equity and liabilities				
Equity attributable to owners of the Company				
Share capital	**176,008**	129,345	129,345	129,345
Reserves	**4,494**	(1,850)	(3,793)	(3,869)
Total equity	**180,502**	127,495	125,552	125,476
Liabilities				
Non-current liabilities				
Borrowings	**19,064**	43,793	12,280	10,984
Deferred consideration payables	**–**	–	–	83,333
Deferred revenue	**1,039**	1,314	2,268	2,218
	20,103	45,107	14,548	96,535
Current liabilities				
Borrowings	**79,946**	95,260	37,253	12,900
Deferred consideration payables – current portion	**382**	17,252	90,499	10,966
Accounts payable	**30,591**	31,906	39,840	21,618
Accrued expenses and other payables	**3,263**	5,400	3,976	1,643
Current income tax payable	**577**	223	–	–
	114,759	150,041	171,568	47,127
Total liabilities	**134,862**	195,148	186,116	143,662
Total equity and liabilities	**315,364**	322,643	311,668	269,138

Corporate Information

Company Name

China Tower Corporation Limited

Stock Code

Hong Kong Stock Exchange: 0788

Registered Office, Headquarters and Principal Place of Business in the PRC

19/F, No. 73, Fucheng Road
Haidian District
Beijing, PRC

Principal Place of Business in Hong Kong

Room 3401, 34/F China Resources Building
26 Harbour Road
Wanchai, Hong Kong
Tel: (852) 2811 4566
Fax: (852) 2897 1266

Company's Website

www.china-tower.com

Board of Directors

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

Strategy Committee

Mr. Tong Jilu *(Chairman)*
Mr. Dong Xin
Mr. Shao Guanglu
Mr. Zhang Zhiyong
Mr. Su Li

Remuneration and Appraisal Committee

Mr. Su Li *(Chairman)*
Mr. Shao Guanglu
Mr. Fan Cheng

Nomination Committee

Mr. Tong Jilu *(Chairman)*
Mr. Dong Xin
Mr. Su Li
Mr. Fan Cheng
Mr. Tse Yung Hoi

Audit Committee

Mr. Fan Cheng *(Chairman)*
Mr. Zhang Zhiyong
Mr. Tse Yung Hoi

Connected Transaction Committee

Mr. Tse Yung Hoi *(Chairman)*
Mr. Tong Jilu
Mr. Su Li
Mr. Fan Cheng

Supervisory Committee

Mr. Li Wenmin *(Chairman of the Supervisory Committee, Employee Representative Supervisor)*
Ms. Gao Lingling *(Shareholder Representative Supervisor)*
Ms. Guo Xiaolin *(Shareholder Representative Supervisor)*
Mr. Sui Yixun *(Shareholder Representative Supervisor)*
Mr. Wang Zhixue *(Shareholder Representative Supervisor)*
Mr. Wang Hongwei *(Employee Representative Supervisor)*

Company Secretary

Ms. Chu Ka Yee

Authorized Representatives

Mr. Tong Jilu
Ms. Chu Ka Yee

H Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong
Tel: (852) 2862 8555
Fax: (852) 2865 0990
Email: hkinfo@computershare.com.hk

Definitions

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

"2018 AGM"	2018 Annual General Meeting of the Company to be held on 18 April 2019
"Articles of Association" or"Articles"	the articles of association of the Company, as amended from time to time
"Board"	the board of Directors of the Company
"CCS"	China Communications Services Corporation Limited (中國通信服務股份有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 552) and a non-wholly owned subsidiary of CTC as of the Financial Year End Date
"China" or "PRC"	the People's Republic of China, excluding, for the purpose of this report, Hong Kong, Macau and Taiwan
"China Mobile"	(i) China Mobile Limited (中國移動有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 941) and the New York Stock Exchange (stock code: CHL), respectively, which held the entire equity interest in China Mobile Company as of the Financial Year End Date, or (ii) one of the major telecommunications services providers in China, as the context may require
"China Mobile Company"	China Mobile Communication Company Limited (中國移動通信有限公司), a company which held 27.93% equity interest in the Company and was the single largest Shareholder as of the Financial Year End Date
"China Reform"	China Reform Holdings Corporation Ltd. (中國國新控股有限責任公司), a company which held 4.41% equity interest in the Company as of the Financial Year End Date
"China Telecom"	(i) China Telecom Corporation Limited (中國電信股份有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 728) and the New York Stock Exchange (stock code: CHA), respectively, which held 20.50% equity interest in the Company as of the Financial Year End Date, or (ii) one of the major telecommunications services providers in China, as the context may require
"China Unicom"	(i) China Unicom (Hong Kong) Limited (中國聯合網絡通信(香港)股份有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 762) and the New York Stock Exchange (stock code: CHU), which held the entire equity interest in China Unicom Corporation as of the Financial Year End Date, or (ii) one of the major telecommunications services providers in China, as the context may require
"China Unicom Corporation"	China United Network Communications Corporation Limited (中國聯合網絡通信有限公司), a company which held 20.65% equity interest in the Company as of the Financial Year End Date
"China Unicom A Share Company"	China United Network Communications Limited (中國聯合網絡通信股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600050), in which CUC held 36.7% equity interest as of the Financial Year End Date
"CMCC"	China Mobile Communications Group Co., Ltd. (中國移動通信集團有限公司), a state-owned enterprise which was a substantial Shareholder as of the Financial Year End Date
"CMCC Group"	CMCC and its subsidiaries (or CMCC and any one or more of its subsidiaries, as the context may require)
"Commercial Pricing Agreement(s)"	the Commercial Pricing Agreement(s) entered into between the Company and each of the Telecom Shareholders on July 8, 2016, which set out the pricing of the products and the services provided by the Company to the Telecom Shareholders and their branches/subsidiaries
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company", "China Tower", "we" or "us"	China Tower Corporation Limited (中國鐵塔股份有限公司), a joint stock company with limited liability incorporated under the laws of the PRC on 15 July 2014
"Company Law" or "PRC Company Law"	Company Law of the People's Republic of China (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time
"Corporate Code"	the code for securities transactions by Directors, Supervisors and relevant employees of China Tower Corporation Limited adopted by the Company

"CTC"	China Telecommunications Corporation (中國電信集團有限公司), a state-owned company which was a substantial Shareholder as of the Financial Year End Date
"CTC Group"	CTC and its subsidiaries (or CTC and any one or more of its subsidiaries, as the context may require)
"CUC"	China United Network Communications Group Company Limited (中國聯合網絡通信集團有限公司), a state-owned company which was a substantial Shareholder as of the Financial Year End Date
"CUC Group"	CUC and its subsidiaries (or CUC and any one or more of its subsidiaries, as the context may require)
"Director(s)"	director(s) of the Company
"Domestic Shares"	ordinary Shares in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi
"EBITDA"	earnings before interest, tax, depreciation and amortization
"Financial Year End Date"	31 December 2018
"Group"	the Company and its subsidiary
"H Share(s)"	overseas listed foreign Shares in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in HK dollars and are listed on the Hong Kong Stock Exchange
"H Share Registrar"	Computershare Hong Kong Investor Services Limited
"HK$" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Listing Rules" or "Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"IFRS(s)"	International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board
"Listing"	listing of the H Shares on the Main Board of the Hong Kong Stock Exchange
"Listing Date"	8 August 2018, on which our H Shares are listed and from which dealings therein are permitted to take place on the Hong Kong Stock Exchange
"Main Board"	the stock market (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Hong Kong Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"Over-allotment Option"	option granted by the Company to the international underwriters, exercisable by the joint representatives (on behalf of the international underwriters) pursuant to the international underwriting agreement, pursuant to which the Company may be required to allot and issue up to an aggregate of 6,467,220,000 additional H Shares at the offer price to, among other things, cover over-allocations in the international offering, if any, in relation to the Global Offering
"Property Lease Framework Agreements"	the property lease framework agreements entered into between the Company and each of the Telecom Group Companies on 15 July 2018, respectively
"PRC GAAP"	China Accounting Standards issued by the MOF
"Prospectus"	the prospectus of the Company dated 25 July 2018
"Principal Services Provided to the Telecom Shareholders"	relevant services of tower products, DAS products, transmission products and service products provided to the Telecom Shareholders and their respective subsidiaries by the Company, as further described in "Report of the Directors – Continuing Connected Transactions"

"Relevant Products"	has the meaning as defined in "Report of the Directors – Continuing Connected Transactions – Principal Services Provided to the Telecom Shareholders"
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Securities and Futures Ordinance" or "SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Service Agreement(s)"	Service Agreement(s) entered into between the Company and each of the Telecom Shareholders in April 2018, which set out the content of the products and services provided by the Company to the Telecom Shareholders and their subsidiaries, the customer service standard and, where applicable, the relevant agreements in respect of the evaluation of the maintenance quality and other related arrangements, as further described in "Connected Transactions"of the Prospectus
"Service Framework Agreements"	the Commercial Pricing Agreement(s), the Supplemental Agreement(s) to the Commercial Pricing Agreement(s) and the Service Agreement(s)
"Service Supply Framework Agreements"	the service supply framework agreements entered into between the Company and each of the Telecom Group Companies on 15 July 2018, respectively
"SFC"	the Securities and Futures Commission of Hong Kong
"Share(s)"	ordinary shares in the capital of the Company with a nominal value of RMB1.00 each
"Shareholder(s)"	holder(s) of the Shares
"Southbound Trading"	trading of H Shares of the Company listed on Hong Kong Stock Exchange through the Shanghai Stock Exchange or Shenzhen Stock Exchange
"Southbound Shareholders"	holders of H shares (including enterprises and individuals) who invest in the H shares of the Company listed on Hong Kong Stock Exchange through the Southbound Trading
"subsidiary(ies)"	has the meaning ascribed to it in Schedule 1 of the Companies Ordinance
"Supervisor(s)"	member(s) of Supervisory Committee
"Supervisory Committee"	supervisory committee of the Company
"Supplemental Agreement(s) to the Commercial Pricing Agreement(s)"	supplemental agreement(s) to the Commercial Pricing Agreement(s) entered into between the Company and each of China Mobile Company and China Unicom Corporation on 31 January 2018, and between the Company and China Telecom on 1 February 2018, which set out certain adjustments to the Commercial Pricing Agreement(s)
"Telecom Group Companies"	the ultimate controlling shareholders of each of the Telecom Shareholders, namely CMCC, CUC and CTC
"Telecom Shareholders"	the three telecommunications service providers as our Shareholders, namely China Mobile Company, China Unicom Corporation and China Telecom
"Telecommunications tower infrastructure service provider"	service providers that engaged in the construction and operation of telecommunications tower infrastructure and provision of ancillary services
"Three TSPs"	the three largest telecommunications services providers in China, namely China Mobile, China Unicom and China Telecom, which conduct business operations by themselves or through their respective subsidiaries
"TSPs"	telecommunications service providers that engaged in fixed communications, wireless communications and Internet access services
"TSSAI business"	our trans-sector site application and information business

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