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China Tower Corporation Limited
中國鐵塔股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 0788)

ANNOUNCEMENT OF 2022 INTERIM RESULTS

Financial Highlights

- ❖ Operating revenue maintained healthy growth, reaching RMB45,479 million, up by 6.6%, of which:
 - Revenue from TSP business was RMB41,345 million, up by 3.9% over the same period last year, of which, revenue from tower business was RMB38,592 million, up by 2.3%; revenue from indoor distributed antenna system (“DAS”) business was RMB2,753 million, up by 32.0%
 - Revenue from Smart Tower business was RMB2,584 million, up by 39.4%
 - Revenue from Energy business was RMB1,426 million, up by 61.3%
- ❖ Site co-location efficiency improved continuously; tower tenancy ratio increased from 1.70 at the end of 2021 to 1.72.
- ❖ Profitability enhanced constantly; EBITDA² was RMB31,958 million; profit attributable to owners of the Company was RMB4,224 million, up by 22.2%.
- ❖ Cash flow remained stable and abundant; net cash generated from operating activities was RMB31,306 million; free cash flow³ was RMB22,221 million.

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

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

Note 3: Free cash flow is the net cash generated from operating activities minus the capital expenditures.

CHAIRMAN'S STATEMENT

Dear Shareholders,

In the first half of 2022, China Tower Corporation Limited (the “**Company**”), upholding its founding philosophy of resource sharing, proactively captured opportunities emerging from the development of 5G new infrastructure, the “Digital China” initiative and the progress being made towards China’s “dual carbon” goals. By furthering our “One Core and Two Wings” strategy, we strove to establish an operating system that is professional, intensive, delicate, efficient and digitalized, as well as to build an enterprise centered around sharing, service, innovation, technology and value creation. During this period, our business has seen satisfactory development on all fronts and our overall performance maintained stable growth.

FINANCIAL PERFORMANCE

Our revenue maintained healthy growth while profitability continued to improve in the first half of 2022, with operating revenue reaching RMB45,479 million, up by 6.6% year-on-year. Our EBITDA amounted to RMB31,958 million, an increase of 2.5% over the same period last year, with an EBITDA margin⁴ of 70.3%. Profit attributable to owners of the Company totaled RMB4,224 million, up by 22.2% year-on-year, with a net profit margin of 9.3%.

Our cash flow remained strong. In the first half of 2022, net cash generated from operating activities amounted to RMB31,306 million, an increase of 29.2% over the same period last year. Capital expenditures were RMB9,085 million, a reduction of 12.3% from the same period last year. As a result, our free cash flow reached RMB22,221 million, up by 60.1% year-on-year. Our financial position remained stable and healthy, with the Company’s total assets reaching RMB313,523 million as of 30 June 2022. Our interest-bearing liabilities stood at RMB92,428 million with a gearing ratio⁵ of 31.1%, 5.9 percentage points lower than the same period last year.

BUSINESS PERFORMANCE

In the first half of 2022, despite the adverse impact of multiple outbreaks of the epidemic, we orchestrated our Covid-19 containment measures and operating activities under the guidance of established strategy, strengthening our capabilities in resource coordination and sharing. Building on the stable development of our telecommunications service provider (“**TSP**”) business, our Smart Tower business and Energy business continued to experience rapid growth.

Note 4: EBITDA margin is calculated by dividing EBITDA by operating revenue, and multiplying the resulting value by 100%.

Note 5: Gearing ratio is calculated as net debts divided by the sum of total equity and net debt, then multiplied by 100%. Net debt is calculated as the amount of interest-bearing liabilities minus the amount of cash and cash equivalents.

Dual growth engines of “5G + DAS” enabled stable growth in TSP business

Given the increasing coverage and penetration of 5G network in China, we maintained our focus on the latest market trends and evolving customer demands over the first half of 2022 and furthered resource coordination and sharing. As a result, we were able to build large-scale 5G networks in a cost-effective and highly efficient manner through offering innovative service and construction model. The Company undertook 318,000 5G base-station demand in the first half of 2022, with the cumulative number reaching 1.544 million as of 30 June 2022, of which 97% were fulfilled by sharing existing resources. Additionally, increasing DAS construction demand promoted even greater growth of DAS business. Given this, “5G + DAS” have emerged as dual growth engines, which secured stable growth of TSP business and cemented our leadership in the construction and operation of telecommunications infrastructure in China.

As of 30 June 2022, the Company was managing a total of 2.049 million tower sites, representing a net increase of 11,000 sites compared to the end of 2021. During the same period, we gained 42,000 new TSP tenants, bringing the total number to 3.302 million. Our TSP tenancy ratio also grew from 1.60 as at the end of 2021 to 1.62. With regard to our DAS business, we had covered buildings with a cumulative area of 5,970 million square meters, up by 35.4% from the same period last year, while the high-speed railway tunnels and subway coverage totaled a cumulative length of 18,276 kilometers, an increase of 26.6% over the same period last year.

In the first half of 2022, our TSP business revenue reached RMB41,345 million, up by 3.9% from the same period last year, among which tower business revenue accounted for RMB38,592 million while DAS business represented RMB2,753 million, a year-on-year growth of 2.3% and 32.0% respectively.

Strengthening advantages in resources and capabilities, Two Wings business maintained the momentum of growth

The development of the digital economy and the national “dual carbon” goals have presented ample opportunities to our business. We leveraged our resources and strengths to scale up and explore new possibilities of sharing, enabling the advancement of digitalization and adoption of new energy applications in society. As a result, our Two Wings business continued to experience rapid growth. Over the first half of the year, Two Wings business recorded revenue of RMB4,010 million, a year-on-year increase of 46.5%, accounting for 8.8% of our overall operating revenue and contributing 45.4% of the incremental operating revenue.

Smart Tower business expanded industry applications and sharpened competitive edge.

We seized new opportunities flowing from the rapid development of the digital economy and sped up the upgrading of “telecommunication tower” to “digital tower” by utilizing our existing site resources, localized operations and maintenance, and centralized digital platform. For Tower Monitoring service, we increased investment on research and development, launching differentiated products to meet customer needs while enhancing our digital services, with a focus on key sectors including environmental protection, forestry, agriculture and land, etc. In the first half of 2022, Smart Tower business recorded revenue of RMB2,584 million, representing a growth of 39.4% from the same period last year. Of this, Tower Monitoring business revenue reached RMB1,584 million, accounting for 61.3% of Smart Tower business revenue.

Energy business focused on core segments and continued to scale up. We further strengthened our core business segments of battery exchange and power backup to enhance the economies of scale in Energy business as well as the quality of delicate management approach. We have deepened our penetration of the delivery and courier markets, and consolidated our leadership in the battery exchange market for light electric vehicle. In addition, we offered four-in-one comprehensive solutions covering power backup, power generation, monitoring and maintenance, to key industries including telecommunications, finance, healthcare and education. As of 30 June 2022, we had attained a cumulative 782,000 battery exchange users, an increase of 170,000 since the end of 2021. Energy business recorded revenue of RMB1,426 million in the first half of 2022, representing an increase of 61.3% from the same period last year, among which, revenue from battery exchange business accounted for RMB802 million, or 56.2%.

CORPORATE GOVERNANCE AND SOCIAL RESPONSIBILITY

The Company continued to strictly abide by the rules and regulations governing listed companies, continuously improved governance mechanisms, strengthened the development of compliance systems and enhanced risk management, all to ensure a high level of corporate governance to safeguard the Company's healthy and sustainable growth.

We have received wide recognition for our commitment to corporate social responsibility as well as for our efforts in ensuring the harmonious and sustainable development of both the Company and society. Through delicate planning and management, we delivered reliable communications services for the Beijing 2022 Winter Olympics and the Beijing 2022 Paralympic Winter Games earlier this year. In addition, we proactively implemented multiple measures to effectively support emergency missions and safeguard related communication services, serving as a lifeline to ensure communications in pandemic prevention and control as well as disaster relief. We also promoted communications infrastructure development in remote areas to narrow the regional digital divide, contributing to the national initiative of rural revitalization. Finally, we practiced the philosophy of sustainable development by advocating energy saving and emissions reductions, as well as green and low-carbon growth.

OUTLOOK

To capture growth opportunities in the second half of 2022, we will set a clear focus on realizing our goal of becoming a “world-class integrated information and communications infrastructure service provider and a highly competitive information and new energy applications provider”. This positioning will drive the development of the Company centering around sharing, service, innovation, technology and value creation, and build upon an operating system that is professional, intensive, delicate, efficient and digitalized. We will strive to sustain stable revenue growth and generate higher value for our shareholders, customers and society as a whole.

TSP business: Given the strong demand for 5G base stations and DAS construction, we will continue to enhance these dual engines to support the stable growth of TSP business. Adhering to the philosophy of resource sharing, we will consolidate and enhance resource coordination and sharing to explore and satisfy customers' needs with comprehensive offerings. In addition, we will further promote integrated wireless communications coverage solutions to tackle difficult site setting and network coverage problems. In doing so, we will strengthen the competitive advantages of tower business through professional construction and strong service capabilities. We will also work closely with TSPs to develop a service model centered around resource coordination and collaboration. By enhancing capabilities on market acquisition and professional service, we aim to expand the scale of our DAS business and turn it into the second engine of TSP business.

Smart Tower business: The thriving digital economy and ongoing digital transformation across different sectors are presenting ample opportunities to our business. We will make full use of our resources and strengths to drive the transformation from “telecommunication tower” to “digital tower”. Focusing on eight key sectors of environmental protection, forestry, agriculture, land, water resources, transportation, emergency response and digital village, we will develop a variety of vertical industrial applications for customers, delivering high quality integrated information solutions and digital governance services. We will also step up research and development investment to strengthen our Tower Monitoring platform with enhanced algorithms and functions. Meanwhile, we aim to establish an industry application iteration and development system to further support the rapid and high-quality growth of Smart Tower business.

Energy business: The national “carbon peaking and carbon neutrality” goals have created a strategic opportunity for us to develop our specialty in battery exchange and power backup businesses by leveraging our resources. Through increasing research and development investment and deepening technology collaboration, we shall promote product optimization and iterative upgrades. In addition, we target to build a smart energy operating platform to drive the digital and intelligent transformation of our Energy business. The Company is committed to strengthening its intelligent service system to improve its service efficiency and enhance its customer experience by drawing on its delicate control and systematic management approach. These initiatives will help to scale our Energy business rapidly.

Finally, on behalf of the Board, I would like to take this opportunity to express my heartfelt gratitude to Mr. Mai Yanzhou, who recently resigned as a director of the Company, and to his distinguished service to the Company during his term of office. Meanwhile, I would like to express my sincere gratitude to our shareholders, customers and the general public for your support, and to our employees for your hard work and dedication.

Zhang Zhiyong
Chairman

Beijing, China, 8 August 2022

GROUP RESULTS

The board of directors (the “**Board**”) of China Tower Corporation Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) announces the unaudited consolidated results of the Group for the six months ended 30 June 2022.

Unaudited Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2022

(Expressed in Renminbi (“**RMB**”))

		Unaudited	
		Six months ended 30 June	
	<i>Note</i>	2022	2021
		RMB million	RMB million
Operating revenue	4	<u>45,479</u>	<u>42,673</u>
Operating expenses			
Depreciation and amortisation	11	(24,869)	(24,830)
Repairs and maintenance		(3,486)	(2,894)
Employee benefits and expenses		(3,778)	(3,574)
Site operation and support expenses		(2,507)	(2,344)
Other operating expenses		<u>(3,750)</u>	<u>(2,677)</u>
		<u>(38,390)</u>	<u>(36,319)</u>
Operating profit		<u>7,089</u>	<u>6,354</u>
Other income/gains, net		76	69
Interest income		5	10
Finance costs		<u>(1,608)</u>	<u>(1,875)</u>
Profit before taxation		5,562	4,558
Income tax expenses	5	<u>(1,338)</u>	<u>(1,101)</u>
Profit for the period		<u>4,224</u>	<u>3,457</u>
Profit attributable to:			
– Owners of the Company		4,224	3,457
– Non-controlling interests		<u>–</u>	<u>–</u>
Other comprehensive income, net of tax		<u>–</u>	<u>–</u>
Total comprehensive income for the period		<u>4,224</u>	<u>3,457</u>
Total comprehensive income attributable to:			
– Owners of the Company		4,224	3,457
– Non-controlling interests		<u>–</u>	<u>–</u>
		<u>4,224</u>	<u>3,457</u>
Basic and diluted earnings per share (in RMB Yuan)			
Basic/diluted	6	<u>0.0242</u>	<u>0.0198</u>

Unaudited Interim Condensed Consolidated Balance Sheet

As at 30 June 2022

(Expressed in RMB)

		Unaudited	Audited
		As at	As at
		30 June	31 December
	<i>Note</i>	2022	2021
		RMB million	RMB million
Assets			
Non-current assets			
Property, plant and equipment		213,533	221,419
Right-of-use assets	11	32,133	32,877
Construction in progress		11,300	14,709
Deferred income tax assets		2,602	1,892
Other non-current assets		534	4,018
		<u>260,102</u>	<u>274,915</u>
Current assets			
Trade and other receivables	8	42,256	34,194
Prepayments and other current assets		4,257	7,679
Cash and cash equivalents		6,908	6,471
		<u>53,421</u>	<u>48,344</u>
Total assets		<u>313,523</u>	<u>323,259</u>
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital		176,008	176,008
Reserves		13,020	13,346
Total equity attributable to owners of the Company		189,028	189,354
Non-controlling interests		<u>—</u>	<u>—</u>
Total equity		<u>189,028</u>	<u>189,354</u>

Unaudited Interim Condensed Consolidated Balance Sheet (Continued)

As at 30 June 2022

(Expressed in RMB)

	<i>Note</i>	Unaudited As at 30 June 2022 RMB million	Audited As at 31 December 2021 RMB million
Liabilities			
Non-current liabilities			
Borrowings		35,910	41,572
Lease liabilities	<i>11</i>	15,461	15,677
Deferred government grants		424	436
Employee benefit obligations		40	38
		<hr/> 51,835	<hr/> 57,723
Current liabilities			
Borrowings		34,077	37,142
Lease liabilities	<i>11</i>	6,980	6,913
Accounts payable	<i>9</i>	24,391	25,264
Accrued expenses and other payables		6,336	6,342
Current income tax payable		876	521
		<hr/> 72,660	<hr/> 76,182
Total liabilities		<hr/> 124,495	<hr/> 133,905
Total equity and liabilities		<hr/> 313,523	<hr/> 323,259

Notes to Unaudited Interim Condensed Financial Information

(Expressed in RMB unless otherwise indicated)

1. Basis of preparation

This unaudited interim condensed financial information for the six months ended 30 June 2022 has been prepared in accordance with International Accounting Standard (“IAS”) 34, “Interim financial reporting”, issued by the International Accounting Standards Board (“IASB”).

The unaudited interim condensed financial information does not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”) issued by IASB, and should be read in conjunction with the audited consolidated financial statements of the Group for the year ended 31 December 2021. The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period. The Group’s policies on financial risk management were set out in the audited financial statements of the Group for the year ended 31 December 2021 and there have been no significant changes in the financial risk management policies for the six months ended 30 June 2022.

Going concern

At 30 June 2022, the Group’s current liabilities exceeded its current assets by RMB19,239 million (31 December 2021: RMB27,838 million).

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

- The Group’s continuous net cash inflows from operating activities;
- The available committed, unrestricted and unutilised revolving bank credit facilities of RMB219,507 million as at 30 June 2022; 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 were of the opinion that the Group has adequate funds to continue its operations and to repay its debts when they fall due, and thus concluded that the Group will be able to meet its obligations for the twelve months after 30 June 2022. Accordingly, the unaudited interim condensed financial information has been prepared on the basis that the Group will continue as a going concern.

2. Significant accounting policies

A number of amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

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 2023 or later periods, but the Group has not early adopted them:

New standards, amendments and interpretations		Published date	Effective date
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	January 2020	Annual periods beginning on or after 1 January 2023
Amendments to IAS 28 and IFRS 10	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	September 2014	Undetermined
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	May 2021	Annual periods beginning on or after 1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	February 2021	Annual periods beginning on or after 1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	February 2021	Annual periods beginning on or after 1 January 2023

None of these new or amendments to IFRSs is expected to have a significant effect on the financial information of the Group.

3. Segment reporting

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

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

4. Operating revenue

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

	Unaudited	
	Six months ended 30 June	
	2022	2021
	<i>RMB million</i>	<i>RMB million</i>
Tower business (<i>Note (i)</i>)	38,592	37,722
DAS business	2,753	2,086
Smart Tower business	2,584	1,853
Energy business	1,426	884
Others	124	128
	45,479	42,673

Note:

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

	Unaudited	
	Six months ended 30 June	
	2022	2021
	<i>RMB million</i>	<i>RMB million</i>
Revenue from the provision of Site Space	32,813	32,074
Revenue from Services*	5,779	5,648
	38,592	37,722

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

(ii) The Group's revenue are primarily generated from the Three TSPs and their respective parent companies, named as China Mobile Communications Group Co., Ltd. ("CMCC"), China United Network Communications Group Company Limited ("CUC") and China Telecommunications Corporation ("CTC"), respectively. CMCC together with China Mobile Communication Company Limited and all their subsidiaries are hereinafter referred to as "CMCC Group"; CUC together with China United Network Communications Corporation Limited and all their subsidiaries are hereinafter referred to as "CUC Group"; and CTC together with China Telecom Corporation Limited and all their subsidiaries are hereinafter referred to as "CTC Group".

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

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB million	RMB million
CMCC Group	21,817	20,988
CTC Group	10,359	9,931
CUC Group	9,495	9,170
	<u>41,671</u>	<u>40,089</u>

For the six months ended 30 June 2022, the revenue generated from above Three TSPs accounted for 91.6% of the total revenue (for the six months ended 30 June 2021: 93.9%).

5. Income tax expenses

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

Taxation in the statement of comprehensive income represents:

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB million	RMB million
Current tax		
Current tax on estimated taxable profits for the period	2,048	646
Deferred tax		
Origination of temporary differences	(710)	455
Income tax expenses	<u>1,338</u>	<u>1,101</u>

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

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB million	RMB million
Profit before taxation	5,562	4,558
Tax at PRC statutory tax rate of 25%	1,391	1,140
Rate differential of certain provincial branches of the Group (<i>Note</i>)	(90)	(67)
Tax effect of non-deductible expenses	39	28
Others	(2)	—
Income tax expenses	<u>1,338</u>	<u>1,101</u>

Note:

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

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

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

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

6. Basic and diluted earnings per share

(a) *Basic*

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

	Unaudited	
	Six months ended 30 June	
	2022	2021
Profit attributable to owners of the Company (in RMB million)	4,224	3,457
Weighted average number of ordinary shares in issue (million)	174,812	174,812
Basic earnings per share (in RMB Yuan)	0.0242	0.0198

Note:

On 18 April 2019, the shareholders of the Company approved the adoption of a restricted share incentive scheme. For the six months ended 30 June 2022, no share was purchased by the trustee authorised by the Group from the secondary market (Note 10) (for the six months ended 30 June 2021: nil).

(b) Diluted

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

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

Conditions for unlocking of restricted shares granted are subject to achievement of certain performance conditions and treated as contingently issuable shares. As the conditions of contingency are deemed to have not been met, based on the information available, at the end of the reporting period, as if the end of the reporting period was the end of the contingency period, thus the restricted shares granted to employees were not included in the calculation of diluted earnings per share for the six months ended 30 June 2022 and 2021, respectively.

7. Dividends

At the annual general meeting on 11 May 2022, the shareholders of the Company approved the payment of a final dividend of RMB0.02624 per share (equivalent to HK\$0.03097 per share) (pre-tax) for the year ended 31 December 2021 approximately RMB4,618 million in total.

As at 8 August 2022, the Board has resolved that no interim dividend is declared for the six months ended 30 June 2022.

8. Trade and other receivables

	Unaudited As at 30 June 2022 RMB million	Audited As at 31 December 2021 RMB million
Trade receivables (<i>Note (a)</i>)	38,453	30,211
Less: Credit loss allowance	(1,586)	(1,223)
Trade receivables, net	36,867	28,988
Payments on behalf of customers (<i>Note (b)(i)</i>)	4,228	3,827
Deposits (<i>Note (b)(ii)</i>)	1,092	1,378
Others	70	2
Less: Credit loss allowance	(1)	(1)
Other receivables, net	5,389	5,206
Trade and other receivables	42,256	34,194

As at 30 June 2022 and 31 December 2021, trade and other receivables were primarily denominated in RMB and their carrying amounts approximated their fair values.

For the six months ended 30 June 2022, no write off in trade receivables (for the six months ended 30 June 2021: wrote off approximately RMB2 million).

Note:

(a) Trade receivables

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

	Unaudited As at 30 June 2022 <i>RMB million</i>	Audited As at 31 December 2021 <i>RMB million</i>
Up to 3 months	17,322	14,218
3 to 6 months	10,321	7,127
6 months to 1 year	7,300	6,368
1 year to 2 years	2,639	1,903
Over 2 years	871	595
	38,453	30,211

- (ii) Trade receivables are analysed by customers:

	Unaudited As at 30 June 2022 <i>RMB million</i>	Audited As at 31 December 2021 <i>RMB million</i>
CMCC Group	16,052	15,090
CTC Group	9,375	4,952
CUC Group	8,722	6,823
Others	4,304	3,346
	38,453	30,211

Trade receivables primarily comprise receivables from the Three TSPs. Other third-party customers include local government authorities and public institutions, state-owned companies and other customer groups. Trade receivables from customers are mainly due for payment within 1-3 months from the date of billing. Customers with balances that are overdue or exceed credit limits are required to settle all outstanding balances before any further services can be provided.

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

(b) Other receivables

- (i) Payments on behalf of customers mainly represent the payments made by the Group to their suppliers for certain sites electric power supply charges when the Group provides the services of power access to its customers and acting as an agent. Such customers usually make payment to the Group within 1-3 months. They are considered to be of low credit risk and thus the impairment loss allowance to be recognized are deemed not material. Therefore, no credit loss allowance was made for those other receivables for the six months ended 30 June 2022 (for the six months ended 30 June 2021: nil).
- (ii) Deposits primarily include deposits for site ground lease, office premises lease, and equipment purchase. The carrying amounts of deposits do not differ significantly from their fair values.

9. Accounts payable

Accounts payable primarily include payables for construction expenditures, repairs and maintenance and other operation expenditures. Accounts payable are unsecured, non-interest bearing and are repayable in accordance with contractual terms. Accounts payable are primarily denominated in RMB. Their carrying amounts approximate their fair values due to their short-term maturities.

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

	Unaudited As at 30 June 2022 <i>RMB million</i>	Audited As at 31 December 2021 <i>RMB million</i>
Less than 6 months	18,894	18,204
6 months to 1 year	2,391	2,092
More than 1 year	3,106	4,968
	24,391	25,264

10. Restricted share incentives scheme

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

All shares granted are subject to a lock up period of 24 months commencing from the grant date, followed by an unlocking period of up 1 to 3 years (three tranches in proportion of 40%, 30% and 30% for each 12 months). After unlocking, Scheme Participants will entitle to the related shares (including the dividends declared on the underlying shares granted and vested) provided all of the required performance conditions are met and the Scheme Participants are still in employment with the Company.

Pursuant to the Scheme, the Board approved the initial grant proposal (the “**Initial Grant Proposal**”) on 18 April 2019. The first tranche of 1,112 million restricted shares were granted on 18 April 2019 by the Board (the “**First Grant Date**”) at the grant price of RMB1.03 per share. On 19 December 2019 (the “**Second Grant Date**”), additional 93 million restricted shares were granted at the same grant price of RMB1.03 per share. The fair value of the restricted shares granted on the First Grant Date and the Second Grant Date were determined as RMB0.85 per share and RMB0.53 per share, respectively.

As at 30 June 2022, total 855 million restricted shares were forfeited, including 829 million restricted shares being forfeited as a result of not meeting a non-market performance condition during the unlocking period occurred in 2020 and 2021, and 26 million restricted shares being forfeited due to certain Scheme Participants having resigned from the Company. During the six months ended 30 June 2022 and 2021, 2 million and 5 million restricted shares were forfeited, respectively.

Movements in number of restricted shares granted and related fair value are as follows:

	Unaudited			
	Six months ended 30 June			
	2022		2021	
	Weighted Average Fair Value (per share) (RMB Yuan)	Number of Restricted Shares Granted (Million)	Weighted Average Fair Value (per share) (RMB Yuan)	Number of Restricted Shares Granted (Million)
At the beginning of the period	0.82	352	0.82	713
Granted during the period	–	–	–	–
Forfeited during the period	0.81	(2)	0.83	(5)
At the end of the period	<u>0.82</u>	<u>350</u>	<u>0.82</u>	<u>708</u>

For the six months ended 30 June 2022, no share-based compensation expense was recognised as a result of not expecting to meet a non-market performance condition during the future unlocking period stipulated under the Scheme.

As instructed by the Board, a Trustee is appointed to acquire certain number of H shares from the secondary market for the Scheme, and the purchased shares will be held by the Trustee until such shares are unlocked in accordance with the provisions of the Scheme. Upon unlocking, the Trustee will transfer the shares to the employees. If the performance conditions or service conditions are not fulfilled and the corresponding tranche of shares granted to be vested during the year cannot be unlocked, the grant price paid by the Scheme Participants will be repaid to the Scheme Participants in accordance with relevant laws and regulations.

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

	Unaudited		Audited	
	As at 30 June 2022		As at 31 December 2021	
	Number of	Shares	Number of	Shares
	restricted	held under	restricted	held under
	shares	restricted	shares	restricted
		share		share
		incentive		incentive
		scheme		scheme
		(RMB		(RMB
	(million)	million)	(million)	million)
Shares held under restricted share incentive scheme	1,196	1,954	1,196	1,954

During the six months ended 30 June 2022, the Company returned the cash of RMB367 million to Scheme Participants (for the six months ended 30 June 2021: RMB3 million). As at 30 June 2022, the Company has received in cash from Scheme Participants under the Scheme with a balance of RMB360 million, which were recorded under “Accrued expenses and other payables” (31 December 2021: RMB727 million).

11. Lease

- (i) The interim condensed consolidated balance sheet shows the following amounts relating to leases:

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2022	2021
	RMB million	RMB million
Right-of-use assets		
– Sites and premises	30,980	31,706
– Land use rights	1,153	1,171
	32,133	32,877
Lease Liabilities		
– Current	6,980	6,913
– Non-current	15,461	15,677
	22,441	22,590

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

	Unaudited	
	Six months ended 30 June	
	2022	2021
	<i>RMB million</i>	<i>RMB million</i>
Depreciation charge of right-of-use assets	5,779	5,422
Interest expense	588	637
Expense relating to short-term leases and low-value leases	697	712

FINANCIAL OVERVIEW

(Expressed in RMB unless otherwise indicated)

Operating Revenue

In the first half of 2022, the Company actively served and integrated into the new development pattern and deepened the implementation of the “One Core and Two Wings” strategy to fuel market development. The Company maintained a positive growth in operating revenue. Operating revenue reached RMB45,479 million, up by 6.6% over the same period last year, of which revenue from TSP business reached RMB41,345 million, up by 3.9% over the same period last year; revenue from Smart Tower business and Energy business reached RMB4,010 million, up by 46.5% over the same period last year, accounting for 8.8% of the operating revenue, which increased from 6.4% for the same period last year.

Operating Expenses

Relying on the adoption of business accounting on individual site and enhancement of digitalized operation capability, the Company managed and controlled production costs in a reasonable manner, effectively preserved its asset quality, improved the service standard and enhanced momentum for development of the Company. In the first half of 2022, the operating expenses of the Company were RMB38,390 million, up by 5.7% over the same period last year. The breakdown is as follows:

- ***Depreciation and amortisation***

Benefiting from the reusing and life extension of assets in stock, as well as changes in the structure of 5G construction demand, the depreciation and amortisation in the first half of 2022 was RMB24,869 million, up by 0.2% over the same period last year.

- ***Repairs and maintenance expenses***

The Company strengthened the development of asset operation capabilities, fully tapped assets potential and improved asset performance to ensure business expansion and service improvement. In the first half of 2022, the repairs and maintenance expenses were RMB3,486 million, up by 20.5% over the same period last year.

- ***Employee benefits and expenses***

In the first half of 2022, the employee benefits and expenses amounted to RMB3,778 million, up by 5.7% over the same period last year.

- ***Site operation and supporting expenses***

In the first half of 2022, the site operation and supporting expenses amounted to RMB2,507 million, up by RMB163 million over the same period last year, of which the IT supporting and site planning and management expenses related to site operation increased by RMB202 million over the same period last year.

- ***Other operating expenses***

In the first half of 2022, other operating expenses amounted to RMB3,750 million, up by RMB1,073 million over the same period last year. For Two Wings business, the Company enhanced the development of AI algorithms and product iteration while strengthening marketing efforts, with the technical supporting service fees, sales expenses, and utility fees for business operation increasing by RMB719 million over the same period last year.

Finance Costs

As the Company enhanced centralized fund management, the interest-bearing liabilities substantially decreased as compared to the same period last year. Meanwhile, benefiting from multi-channel financing at low costs, the overall finance costs of the Company maintained at a relatively low level. The Company recorded net finance costs of RMB1,603 million in the first half of 2022, down by 14.0% over the same period last year.

Profitability

In the first half of 2022, the Company recorded an operating profit of RMB7,089 million. Profit attributable to owners of the Company amounted to RMB4,224 million, up by 22.2% over the same period last year; EBITDA reached RMB31,958 million, up by 2.5% over the same period last year, accounting for 70.3% of operating revenue.

Capital Expenditures and Cash Flow

In the first half of 2022, the capital expenditure for new site construction and augmentation recorded a year-on-year decrease due to structural change in TSPs' 5G construction demands and the project slowdown during the pandemic in certain regions. Meanwhile, the Company increased the proportion of its investment on the site replacement and improvement with a view to enhancing their long-term service capacity and meeting the needs for business development as well as asset life extension in an orderly manner. In the first half of 2022, capital expenditures reached RMB9,085 million. Net cash generated from operating activities was RMB31,306 million while free cash flow was RMB22,221 million.

Balance Sheet Status

As of 30 June 2022, the Company's total assets were RMB313,523 million and total liabilities were RMB124,495 million, of which the net debts amounted to RMB85,520 million. The liabilities to assets ratio decreased from 41.4% at the beginning of the year to 39.7% at the end of the period.

OTHER INFORMATION

Purchase, Sale or Redemption of the Company's Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 June 2022.

Audit Committee

The audit committee, together with the Company's management, reviewed the accounting principles and practices adopted by the Company and discussed financial reporting matters including the review of the Company's unaudited interim condensed financial information for the six months ended 30 June 2022.

Compliance with the Corporate Governance Code

The Company is committed to maintaining a high standard of corporate governance. For the six months ended 30 June 2022, the Company had complied with the code provisions set out in the Corporate Governance Code (the "**Corporate Governance Code**") as contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

Compliance with the Listing Rules

On 30 September 2021, Mr. Tong Jilu ("**Mr. Tong**") has resigned from his positions as an executive director of the Company, the chairman of the Board and the chairman of the strategy committee of the Board (the "**Strategy Committee**") and the nomination committee of the Board (the "**Nomination Committee**") by reason of age. Following Mr. Tong's resignation, the Company did not comply with Rule 3.27A of the Listing Rules which provides that the nomination committee should be chaired by the chairman of the board or an independent non-executive director. On the same date, Mr. Zhang Zhiyong ceased to be a member of the audit committee of the Board (the "**Audit Committee**"). Following Mr. Zhang's cessation as a member of the Audit Committee, the Company did not comply with Rule 3.21 of the Listing Rules which provides that the audit committee shall comprise a minimum of three members.

On 14 January 2022, (i) Mr. Fan Cheng ("**Mr. Fan**") no longer served as an independent non-executive director of the Company, the chairman of Audit Committee and a member of remuneration and appraisal committee of the Board (the "**Remuneration and Appraisal Committee**") and the Nomination Committee; and (ii) Mr. Tse Yung Hoi ("**Mr. Tse**") no longer served as an independent non-executive director of the Company and a member of the Nomination Committee and the Audit Committee. Following Mr. Fan's and Mr. Tse's cessation as directors and chairman/members of the relevant Board committees, the Company did not comply with (a) Rule 3.21 of the Listing Rules; (b) Rule 3.25 of the Listing Rules which provides that the remuneration committee must be chaired by an independent non-executive director and comprising a majority of independent non-executive directors; and (c) Rule 3.27A of the Listing Rules which provides that the nomination committee should be chaired by the chairman of the board or an independent non-executive director and comprising a majority of independent non-executive directors.

On 9 March 2022, Ms. Chu Ka Yee (“**Ms. Chu**”) has resigned from her positions including the company secretary of the Company (the “**Company Secretary**”). Following Ms. Chu’s cessation as the Company Secretary, the Company did not comply with Rule 3.28 of the Listing Rules.

On 30 September 2021, Mr. Zhang Zhiyong was re-designated from a non-executive director to an executive director of the Company and was appointed as the chairman of the Board. On 18 January 2022, the composition of relevant Board committees has been adjusted as follows: (i) the Nomination Committee comprises Mr. Zhang Zhiyong as chairman and Mr. Gao Tongqing, Mr. Zhang Guohou, Mr. Deng Shiji and Mr. Hu Zhanghong as members; (ii) the Audit Committee comprises Mr. Zhang Guohou as chairman and Mr. Liu Guiqing, Mr. Deng Shiji and Mr. Hu Zhanghong as members; and (iii) the Remuneration and Appraisal Committee comprises Mr. Deng Shiji as chairman and Mr. Mai Yanzhou (resigned on 30 May 2022), Mr. Zhang Guohou, and Mr. Hu Zhanghong as members. On 8 August 2022, Ms. Leung Suet Wing has been appointed as the Company Secretary. After these adjustments, the Company has re-complied with the relevant requirements under Rules 3.21, 3.25, 3.27A and 3.28 of the Listing Rules, respectively.

Compliance with the Model Code

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

The Company has made specific enquiries to all directors and supervisors, and all directors and supervisors have confirmed that they have complied with the Company Code and the Model Code during the six months ended 30 June 2022.

Contingent Liabilities

As at 30 June 2022, the Company had no contingent liabilities.

Material Legal Proceedings

For the six months ended 30 June 2022, the Company was not involved in any material litigation or arbitration, and as far as the Company is aware, no material litigation or claims were pending or threatened or made against the Company.

Publication of Interim Results Announcement and Interim Report

This announcement is published on the Company’s website at www.china-tower.com and the website of The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) at www.hkexnews.hk. The 2022 interim report will be available on the websites of the Hong Kong Stock Exchange and the Company, and will be dispatched to the shareholders of the Company in due course.

Forward Looking Statements

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

By Order of the Board
China Tower Corporation Limited
Zhang Zhiyong
Chairman

Beijing, China, 8 August 2022

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

<i>Executive directors</i>	<i>: Zhang Zhiyong (Chairman of the Board), Gu Xiaomin (General Manager) and Gao Chunlei</i>
<i>Non-executive directors</i>	<i>: Gao Tongqing and Liu Guiqing</i>
<i>Independent non-executive directors</i>	<i>: Zhang Guohou, Deng Shiji and Hu Zhanghong</i>