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

Further Resource Sharing

Annual Report 2019

About

Incorporated in Beijing on 15 July 2014, China Tower Corporation Limited ("China Tower") was listed on the Main Board of Hong Kong Stock Exchange on 8 August 2018 (Stock Code: 0788.HK), raising approximately HK$58.8 billion. On 10 December 2018, the Company officially became a constituent stock of the Hang Seng Index Series.

As the world's largest telecommunications tower infrastructure service provider, the Company adheres to the sharing philosophy and strives to become a growth and value-oriented enterprise with the most potential among its international peers. With site resources across 31 provinces, municipalities and autonomous regions in the PRC, the Company has engaged further in resources sharing. To satisfy the increasing wireless network coverage demand from telecommunications service providers (TSPs) and needs from customers in other industries, the Company endeavors to provide superior services in its traditional tower business and indoor Distributed Antenna System (DAS) business for telecommunications industry, as well as in Trans-sector Site Application and Information (TSSAI) business and energy operation business for customers from various industries across wider society. As of the end of December 2019, the Company operated and managed 1,994 thousand tower sites, and its total assets amounted to RMB338,067 million. The Company served over 3,239 thousand tenants with an increasing tenancy ratio of 1.62, showing a continuous improvement in site co-location efficiency.

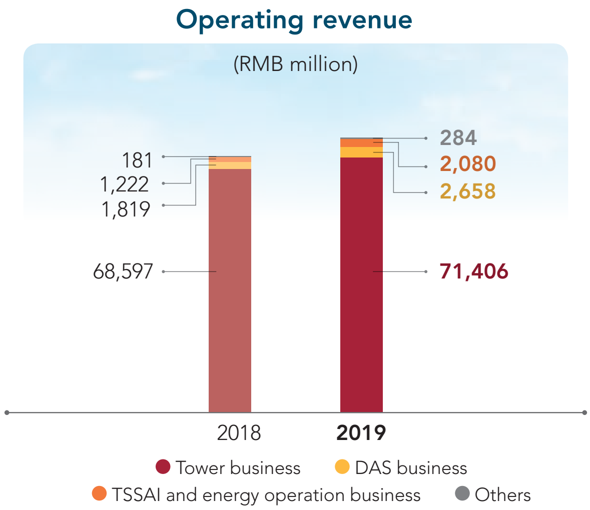
In 2019, China Tower ranked 71st in the Forbes Top 100 Digital Companies List and 22nd in the Fortune Future 50.

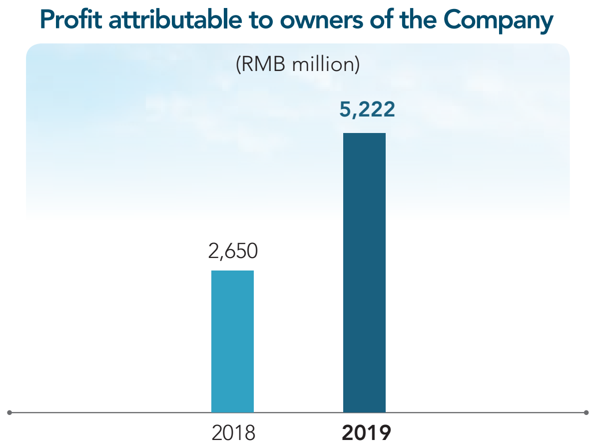
Contents

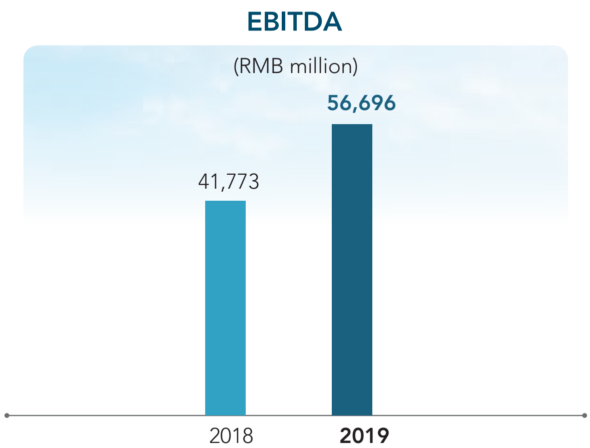
Performance Highlights

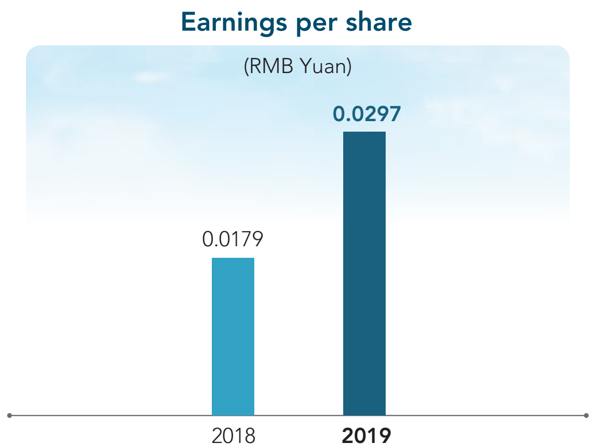
RMB million	2019	2018	Change
Operating revenue	76,428	71,819	6.4%
of which			
Tower business	71,406	68,597	4.1%
DAS business	2,658	1,819	46.1%
TSSAI and energy operation businesses	2,080	1,222	70.2%
Others	284	181	56.9%
Operating profit	11,281	9,081	24.2%
EBITDA[1]	56,696	41,773	35.7%
Profit attributable to owners of the Company	5,222	2,650	97.1%
Capital expenditures	27,123	26,466	2.5%
Cash flow from operating activities	49,935	45,540	9.7%
Earnings per share (RMB Yuan)	0.0297	0.0179	65.9%

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









No. of tower tenants (thousand)
3,239

Tower tenancy ratio
1.62

No. of tower sites (thousand)
1,994

Revenue contribution from non-tower businesses
6.6%

Key operational data

Indicator	Unit	As of the end of 2019	As of the end of 2018	Change
Number of tower tenants	'000	**3,239**	2,978	8.8%
Of which:				
Number of TSP tenants	'000	**3,063**	2,837	8.0%
Number of TSSAI tenants	'000	**176**	141	24.8%
Number of tower sites	'000	**1,994**	1,925	3.6%
Tenancy ratio	Tenants/sites	**1.62**	1.55	4.5%
Average annual revenue per site[1]	RMB Yuan/year	**37,407**	36,941	1.3%
Area of buildings covered by DAS business	Million square meters	**2,570**	1,461	76.0%
Length of subways covered by DAS business	Kilometer	**3,370**	2,887	16.7%
Length of high-speed railway tunnels covered by DAS business	Kilometer	**5,318**	4,376	21.5%

Note 1: Average annual revenue per site = (revenue from tower business + revenue from TSSAI business)/[(number of tower sites at the beginning of the period + number of tower sites at the end of the period)/2)].

Corporate Culture

Seeking TRUTH from facts
Seeking IMPROVEMENT PERSISTENTLY

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 Value

- Entrepreneurship and Innovation
- Pragmatism and Efficiency
- Benefiting Customers
- Accomplished Employees

Shareholding Structure

China Mobile	China Unicom	China Telecom	China Reform	Public Shareholders
27.93%	20.65%	20.50%	4.41%	26.51%

China Tower Corporation Limited

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Milestones

2019

4 March

Announced 2018 annual results, held press conference and investor briefing in Hong Kong on 4 March 2019.

18 April

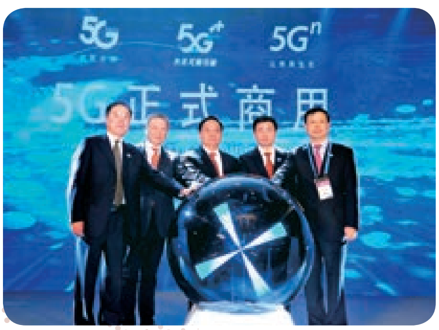
China Tower held the first AGM in Hong Kong and the Restricted Share Incentive Scheme was approved by Shareholders. The long-term effective incentive and restraint mechanism align the interests of Shareholders, the Company and employees as a whole.

26 June

Established two wholly-owned subsidiaries, Smart Tower Corporation Limited and Energy Tower Corporation Limited.

31 October

Official launch of commercial use of 5G in China.



As of the end of 2019

China Tower completed the site construction for over 160 thousand 5G base stations.

2020

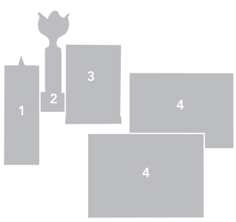
14 February

China Tower entered the Hang Seng SCHK China Technology index.

Corporate Recognition

Forbes
Top 100 Digital
Companies

Fortune
Future 50



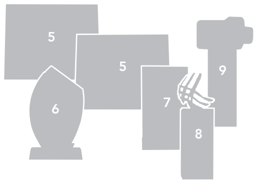
1 The 5th Investor Relations Awards "Best IR Company for an IPO"

2 China Securities Golden Bauhinia Awards "Best Investment Value Award for Listed Companies"

3 The Asset ESG Awards "The Asset ESG Corporate Awards 2019"

4 Hong Kong Management Association (HKMA) "2019 Best Annual Reports Award" for China Tower's 2018 annual report

Corporate Recognition



5 ARC Award for China Tower's 2018 annual report on cover design and production

6 The Chinese edition of Bloomberg Businessweek "Listed Enterprises of the Year 2019"

7 Golden Hong Kong Stocks "Best Company in Infrastructure and Public Utilities Sector"

8 The Best Listed Companies in Greater China Region held by Gelonghui, "Best Investment Value Award for Hong Kong Listed Companies"

9 China Financial Market Award "Best IPO Award of 2019"

5G+ ONE CORE AND TWO WINGS

80%

of new tenancy demands were satisfied through co-location

Chairman's Statement

FURTHER RESOURCE SHARING

Dear Shareholders,

In view of the opportunities presented by China's "Cyberpower" strategy and the accelerated development of 5G networks, the Company continued to adhere to the philosophy of resource sharing in 2019. Through implementing the "One Core and Two Wings (一體兩翼)" strategy, we have strengthened our core competencies and achieved stable revenue growth, which reinforced our sound foundation for sustainable development.

Tong Jilu
Chairman of the Board

Financial Performance

We maintained stable and healthy growth in 2019, recording an operating revenue of RMB76,428 million, up by 6.4% over the previous year. Our operating efficiency enhanced steadily, with EBITDA reaching RMB56,696 million and EBITDA margin of 74.2%. On the comparable basis[1], the EBITDA margin maintained at a satisfactory level of 57.9%. Profit attributable to owners of the Company reached RMB5,222 million, up by 97.1% over the previous year, demonstrating our improving profitability.

Our cash flow remained at a sound and healthy level while our debt leveraging level was stable and controlled. Net cash generated from operating activities amounted to RMB49,935 million in 2019. Capital expenditures were RMB27,123 million, while our free cash flow[2] reached RMB22,812 million. As of 31 December 2019, the Company's total assets reached RMB338,067 million and interest-bearing liabilities amounted to RMB120,353 million with a gearing ratio[3] of 38.5%.

We strive to create good returns to our shareholders. After taking into consideration our profitability, debt levels, cash flow and capital needed for future development, the Board recommends to pay a final dividend of RMB0.01455 (pre-tax) per share for the year ended 31 December 2019, equivalent to a payout ratio of 60% of our annual distributable net profit.

Business Performance

Through leveraging the scale of our resources, we upheld our resource sharing philosophy in 2019. Building on the foundation of our TSP business, we made a proactive move to develop our TSSAI and energy operation businesses, in order to fully implement our "One Core and Two Wings" strategy. As of the end of 2019, the tenancy ratio increased to 1.62 from 1.55 at the end of 2018, showing further improvement in the level of site co-location.

Note 1: The comparable basis represents the comparison of certain financial information in 2019 and corresponding financial information in 2018, excluding the impact of the adoption of IFRS 16. This applies to all "the comparable basis" calculations throughout this report.

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

Note 3: Gearing ratio is calculated as net debts, which is the net value of interest-bearing liabilities less cash and cash equivalents, divided by the sum of total equity and net debts multiplied by 100%.

Adhering to resource sharing and maintaining stable growth in TSP business

The demand for in-depth 4G network coverage and the scaling of 5G infrastructure created plenty of opportunities in the market. In view of this, we reinforced our sharing strategy by optimizing the sharing of existing resources while stepping up our efforts to acquire and utilize social resources to enhance efficiency and create collaborative value. In addition, we have developed an innovative construction and service model, which promoted the implementation of integrated wireless communications coverage solutions to satisfy our customers' demand for network coverage, thus further strengthened our core competencies. With a net addition of 69 thousand sites, we managed a total of 1,994 thousand tower sites as at the end of 2019. The total number of tower tenants increased by approximately 226 thousand over the last year and reached to 3,063 thousand. More than 80% of new tenancy demands were satisfied through co-location. The full-year revenue of our tower business increased by 4.1% year-on-year to RMB71,406 million.

With regard to our DAS business, we fully leveraged our advantages on providing coordinated one-stop solutions. By strengthening collaboration with external parties and offering diverse network solutions, we achieved rapid market expansion and boosted the growth of our DAS business. As of the end of 2019, we had covered buildings with a cumulative area of approximately 2,570 million square meters, with an additional coverage of approximately 1,110 million square meters. We also covered subways and high-speed railway tunnels with a cumulative length of approximately 3,370 kilometers and 5,318 kilometers, respectively, with additional coverage of approximately 483 kilometers and 942 kilometers, respectively. Our full-year DAS revenue increased by 46.1% year-on-year to RMB2,658 million.

Striving for innovation and developing growth momentum in Two Wings

Building on the abundance of our resources and expertise, we extended the sharing philosophy from within the industry to the wider society. In June 2019, we established two fully-owned subsidiaries, namely Smart Tower Corporation Limited (鐵塔智聯技術有限公司) and Energy Tower Corporation Limited (鐵塔能源有限公司) to accelerate the development of our Two Wings business. Our TSSAI and energy operation businesses recorded revenue of RMB2,080 million, a year-on-year growth of 70.2%.

The TSSAI business maintained fast and healthy growth. Responding to the demand raised from the evolution of the digital economy and smart society, we leveraged our capabilities on the sites and expertise advantage to broaden our service sectors and scope, from site resource services to higher value-added integrated information services. It promoted the development of digitalization and informatization of the society. Focusing on developing key sectors and key customers, centered on our three brands Smart Sharing, Smart Connection and Smart Monitoring (智享、智聯、智控), we have launched innovative projects to explore and break new ground in areas such as video surveillance, edge computing, field supervision, information and data collection and smart community. As a result, our TSSAI business achieved high-quality growth. As of the end of 2019, the total number of TSSAI tenants reached 176 thousand, increased by 35 thousand over the last year.

The layout of our energy operation business was launched effectively. In view of the demand across society for reliable energy services, by leveraging our experience in ensuring base-station power supply and operating traction batteries, we have proactively explored and formulated plans to scale up our energy operation business in the wider society. Focusing on key products and key sectors, we commenced pilot projects and built up a comprehensive product portfolio, comprising power backup and generation, charging and battery exchange. We have cultivated our capabilities and laid a good foundation for starting our energy operation business.

Corporate Governance and Social Responsibility

We continued to enhance our corporate governance systems and mechanisms, as well as to optimize comprehensive risk management, internal control and compliance systems. By doing so, we reaffirmed our commitment to enhance abilities on mitigating and controlling risks. We maintained a high level of corporate governance that will enable and safeguard the Company's healthy and sustainable development. In 2019, we initiated and implemented the first phase of the Restricted Share Incentive Scheme and, for the first time, granted an aggregated number of approximately 1.21 billion shares to our core management team and key personnel. The long-term effective incentive and restraint mechanism aligns the interests of Shareholders, the Company and employees as a whole and establishes a culture of shared responsibility.

Our practical approach to fulfilling corporate social responsibilities and obligations have won us wide recognition. We further optimized resource sharing with the aim to promote cost efficiency within the industry and conserve social resources, which contributed to building a resource-conserving and environment-friendly society as well as the "Beautiful China". We were committed to building wireless networks in remote areas to support TSPs to provide an inclusive service. We adopted an innovative approach to energy savings, emission reductions, and the use of new sources of energy to put green operations into practice. We contributed to the national cause for poverty alleviation and the development of villages. We were fully committed to our obligations to support emergency communications which will ensure a stable network for TSPs to safeguard communications in unforeseeable incidents such as natural disasters and epidemics.

Outlook

As we speak, the fast-approaching 5G era is driving the transformation and upgrading of the whole information and communications industry, accelerating the progress of Cyberpower, Digital China and smart society. This presents enormous opportunities and market space for the Company. Looking ahead, as an infrastructure services provider for the information and communications sector, we will continue to uphold our strategy of resource sharing and strive for high-quality growth. As we persist with our "One Core and Two Wings" strategy, we have confidence in achieving healthy and sustainable development.

Reinforcing core competencies to achieve sustainable growth for TSP business

Responding to the scaling development of 5G networks, we will strive to adapt the changing environment, both internally and externally, with an unwavering focus on customer demand. We will reinforce our core competitive strengths to effectively support TSPs in setting up the wireless network. As an ongoing initiative, we will further leverage our capabilities to coordinate existing resources and acquire resources for new sites. We will extend our sharing strategy to make use of both self-owned resources and social resources to further enhance efficiency. We will strengthen the go-to-market efforts and proactively implement our integrated wireless communications coverage solutions. Through delivering cost-effective and high quality products and services, we will be able to meet customers' network coverage demands, and create value and collaborative success for our customers and the industry as a whole.

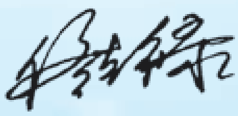
Unleashing synergies to scale up the development of Two Wings

In view of the rapid growth of digital economy and new energy sectors, we will further leverage our resources and expertise advantages to drive synergistic development of our Two Wings business and TSP business. We will set up service platform and develop our competency for TSSAI business in a quick way, steering towards delivering integrated information services and adopting platform operation model to upscale the business and achieve high quality development. As for our energy operation business, professional operations will serve as the foundation. We will also identify clear business foci and provide unique yet competitive products, in order to develop efficient and sustainable business on a sound platform that delivers quality services.

Focusing on quality, efficiency and value enhancement

We will continue to enhance efficiency and create benefits through innovation, particularly in key areas such as 5G power supply and site sharing in DAS business. We will speed up the development of a centralized cloud platform for resource management to better serve our business needs. We will also implement effective and delicate management, and benchmark world-class management. Across the Company, we will optimize production management processes while enhancing individual site audit and asset management throughout their life cycle, continually taking efforts to standardize our management procedures. We will also improve our incentive mechanisms to ensure that they are competitive in the market, in order to instigate a culture of value creation. With varied compensation and incentive mechanisms, we aim to motivate key talents, encourage innovation and infuse vitality into our Company.

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



Tong Jilu
Chairman

Beijing, China, 18 March 2020

TSSAI business revenue grew over 50%, reaching RMB 1,887 million in 2019


5G
SMART SHARING
SMART CONNECTION
SMART MONITORING

Management Discussion and Analysis
– Business Overview

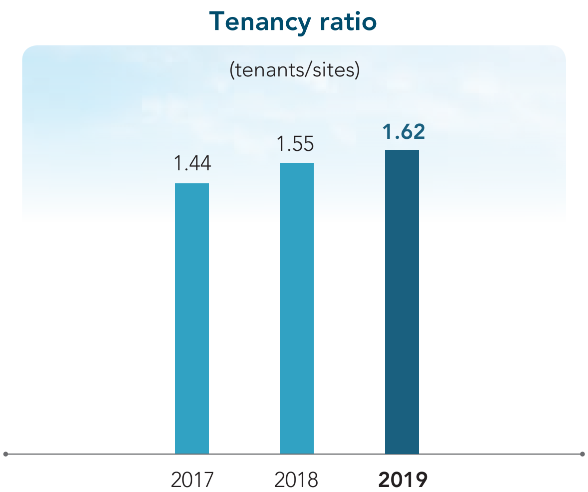
Overview

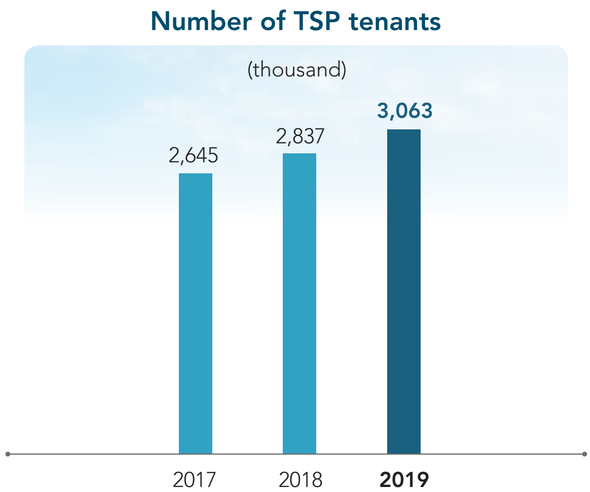
In 2019, the Company continued to adhere to our sharing philosophy, further implementing the "One Core and Two Wings" strategy to forge our core competitive capabilities and nurture multiple growth points for our business. These initiatives have yielded stable operating revenue growth with healthy and sustainable momentum.

Key operational data

Indicator	Unit	As of the end of 2019	As of the end of 2018	Change
Number of tower tenants	'000	**3,239**	2,978	8.8%
Of which:				
Number of TSP tenants	'000	**3,063**	2,837	8.0%
Number of TSSAI tenants	'000	**176**	141	24.8%
Number of tower sites	'000	**1,994**	1,925	3.6%
Tenancy ratio	Tenants/sites	**1.62**	1.55	4.5%
Average annual revenue per site[1]	RMB Yuan/year	**37,407**	36,941	1.3%
Area of buildings covered by DAS business	Million square meters	**2,570**	1,460	76.0%
Length of subways covered by DAS business	Kilometer	**3,370**	2,887	16.7%
Length of high-speed railway tunnels covered by DAS business	Kilometer	**5,318**	4,376	21.5%

Note 1: Average annual revenue per site = (revenue from tower business + revenue from TSSAI business)/[(number of tower sites at the beginning of the period + number of tower sites at the end of the period)/2)].





Leveraging capability advantages, driving stable growth in our TSP business

In 2019, in line with the development of the sharing economy, we coordinated self-owned and social resources to deliver our solutions, diligently expanding them from single site co-location to integrated site sharing and one-stop services. As such, we have continuously enhanced our ability to provide integrated wireless communications coverage solutions, alongside improved the level of co-location and fulfilled cost-effective and high-efficiency requirements to meet customers' demands. As of the end of 2019, the tower tenancy ratio reached 1.62, up by 0.07 over the previous year. Of this, the tower tenancy ratio from TSP customers reached 1.54. Average annual revenue per site amounted to RMB37,407, up by 1.3% compared to the year before.

Tower business: We remained committed to increasing efficiency and creating value. In addition to further optimising the use of existing resources such as towers and poles, shelters and power supply, we also introduced broader resource sharing to cover transmission, surveillance and maintenance, delivering to customers tailored integrated solutions for wireless communications coverage. We continued to innovate products and service solutions to expand our scope of offerings and improve service quality while helping customers to reduce usage costs. By doing so, we reinforced our differentiated competitive advantages and created value for our customers in the telecommunications industry. In 2019, the number of tower sites we managed reached 1,994 thousand, representing an increase of 3.6% from the previous year. We had 226 thousand new TSP tenants, bringing the total number to 3,063 thousand, representing an increase of 8.0% year-on-year.

DAS business: Taking advantage of our integrated solutions and resource optimisation, we became more competitive on integrated cost controls and were able to transfer that benefit to our customers while helping them enhance efficiency. In addition to cementing our strength in key scenarios such as subways, large venues and high-end commercial buildings, our integrated wireless communications coverage solutions, which boosted our advantages in integrated costs, have helped us expand our business to new types of premises such as campuses, hospitals, tourist sites and residential areas. With a broader range of scenarios, we have gradually developed a diverse and competitive DAS product portfolio. In 2019, our DAS business covered buildings with a total area of 2,570 million square meters, up by 76.0% over the previous year. We also covered 3,370 kilometers of subways and 5,318 kilometers of high-speed railway tunnels, up by 16.7% and 21.5%, respectively, from the year before.

Focusing on key sectors to drive Two Wings business expansion

We leveraged our advantages in resources and expertise to actively deliver trans-sector site utilisation and integrated information services. With customers from a broader range of sectors in mind, we have further developed our energy operation business in order to foster a multi-pillar structure to deliver growth.

TSSAI business: We have taken advantage of our existing resources by transforming telecommunications towers into social towers for cross-sector utilisation and the expansion of our information services, resulting in more diversified development of the Company's business. In 2019, centered on our three business brands – Smart Sharing, Smart Connection and Smart Monitoring – and enabled by technology-driven data collection and analysis, we provided integrated information services such as field surveillance, monitoring and real-time alerts. These services addressed the demands of our customers in sectors such as environmental monitoring, disaster prevention and control, pollution prevention and control, and social governance, resulting in the high-quality growth of our TSSAI business and demonstrating the value of the Company. In 2019, the number of TSSAI tenants reached 176 thousand, up by 35 thousand over the previous year.

Energy operation business: The Company adhered to its sharing and collaboration philosophy. We extended our capabilities of providing power supply and power backup services based on tower sites to serve the society. Through leveraging our advantages on site resources, relationships with property companies, capabilities on construction and maintenance, and visible, manageable and controllable supervision platform, we provided diversified energy services including power backup, generation and charging to the wider society. Moreover, we steadily promoted our battery exchange business and explored the echelon use of traction batteries. Overall, the energy operation business was preliminarily deployed and got off to a good start in all respects.

Focusing on customer experience to build up service capabilities

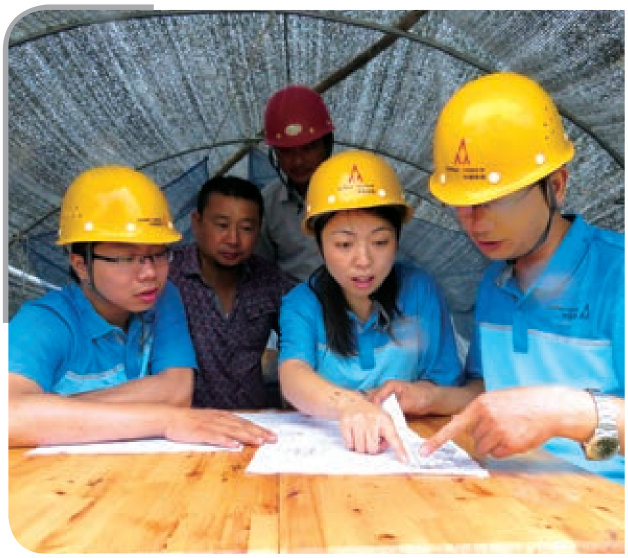
We are committed to offering our customers with the best services by continuously enhancing our integrated service capabilities and quality in order to create value for our customers. We strengthened our go-to-market efforts, focused on the integrated solutions that combine macro and small cells and optimised outdoor and indoor resources to provide customers with more cost-effective and viable options. We continued to improve co-location by overcoming hurdles in site planning and to reduce our overall cost, which are the major concerns of our customers. By partnering with our customers to establish mutual beneficial relationships, we strove to satisfy their demands in a cost-effective manner to achieve collaborative success for the industry.

We place a strong emphasis on customer experience and needs. Through building an integrated service system, we continued to strengthen our maintenance service capability to improve customer satisfaction. On one hand, by strengthening customer touch points and our service quality guarantee, as well as optimising the internet-based visualisation, monitoring and control throughout the production and service process, we continued to provide precise maintenance, enhancing our ability to safeguard communications and the quality of our services. In 2019, we exercised ongoing 7x24 real-time monitoring of all of our sites with shelters and continuously improved our production efficiency. The average service disruption duration of standard sites caused by power failure reduced by 2.0% from 2018 to 9.6 mins/site/month. The service disruption ratio caused by power failure was 5.2%, down by 11.8% compared with 2018. On contingency communication and other key missions to safeguard communications, we deployed a total of 277,000 people, 127,000 vehicles and 336,000 generators, and ensured power supply at 275,000 sites throughout 2019. These missions included major events such as the ceremony to celebrate the 70th anniversary of the People's Republic of China and major disasters such as earthquakes, floods and typhoons. We worked to address the demands of our customers. Through harnessing policy support, practicing delicate management and implementing integrated maintenance and joint operations, we helped customers resolve their pain points. Our efforts to improve service capabilities have been highly appreciated by our customers.

Extending open collaboration and nurturing a supportive environment for development

In 2019, China continued its development into a "Cyberpower" and worked to progress a number of new infrastructure initiatives, such as the 5G network. We fully captured the opportunities arising from these and proactively harnessed policy support, in order to build a supportive environment for development. By doing so, our corporate image and social position as a major force in information and communication infrastructure service industry have gained wider recognition.

The accelerated 5G development has presented us with ample opportunities. Adhering to sharing and collaboration, we strove to harness support across society, extending strategic partnership in multiple sectors including railway, power, postal, internet and real estate to release synergies from sharing resources and boost the development of our "One Core and Two Wings" strategy. With regard to our TSP business, we synchronised the planning, design, implementation and operation of a number of major projects such as the Beijing-Zhangjiakou High-speed Railway. We made further use of social resources such as surveillance poles, lamp poles and electricity towers. Approximately 84% and 17%, respectively, of the new small and macro cells were built by using social resources. In terms of our TSSAI business, we built strategic partnerships with customers from social- and livelihood-related sectors such as meteorology, environment and seismology, as well as with enterprises in vertical industry such as internet, oil and petroleum. By doing so, we further enhanced our capabilities on cross-sector integrated information services and platform. With regard to our energy operation business, we established strategic partnerships with banks, postal and logistics, new energy traction battery manufacturers in order to speed up the development of this business.



Strengthening technological innovation to support 5G network construction

As TSPs are speeding up the construction of 5G networks, we continued to strengthen our technological innovation to satisfy their 5G base-station construction demands in a cost-effective and high-efficiency manner. We worked to resolve difficulties relating to high-frequency 5G indoor coverage and developed a range of 5G-compatible passive DAS products to support TSPs seeking to merge their 2G, 3G, 4G and 5G systems, tailored to flexibly satisfy the requirements for existing facility renovation and new construction under different DAS scenarios. The solutions offered cost-effective options for large-scale 5G DAS constructions. We worked with players in the industry chain to offer innovative peak-load shifting solutions to reduce electricity usage in city power gird by a maximum of 40%. We conducted research into the application of modular power supply to support on-demand dynamic power supply and tiered power backup. This initiative has enhanced the delicate management of the power supply system. We launched the innovative battery combiner to allow the mixed use of new and old batteries, and lead, acid, iron and lithium batteries, enabling the flexible deployment and cost-effectiveness of battery storage. This has helped to reduce the difficulties in 5G network constructions and costs of power capacity expansion from outside city grids. Taking into account features of the 5G antennas, we developed high-endurance and affordable new hollow covers made of mixed materials, which can be used in locations where there are requirements on the appearance of antennas, such as tourist sites and parks.

Future Development Strategy

In the future, the Company will continue to adopt sharing development philosophy and extend resource sharing. We will further implement the "One Core and Two Wings" strategy to drive quality and sustainable growth.

TSP business: We remain committed to implementing a sharing strategy to increase our company value. We will strengthen our core competency and fully deliver our integrated wireless communications coverage solutions to assist the large-scale commercialisation of 5G and promote the stable development of our One Core business.

Satisfying demands for tower constructions: We will strive to grasp opportunities brought forth by the development of 5G. Leveraging the advantages from our own and social resources, we will collaborate with TSPs in site planning, especially in building sites to cover key areas and scenarios. We will initiate innovative technologies and solutions, combining our own and social resources to come up with more cost-effective and viable construction plans. By doing so, we will establish competitive advantages in site co-location, power supply, transmission, maintenance and providing integrated sharing services.

Devoted to expanding the DAS market: We will fully leverage our advantage in coordinating resources to provide customers with multiple solution options tailored to the scenario and combine the active and passive DAS construction models. We will continue to focus on key scenarios such as subways, large venues, high-end commercial buildings and government offices, while exploring other DAS markets, in order to drive the fast development of the DAS business.

TSSAI business: Responding to the demand arising from the development of the digital economy and smart society, and capturing the opportunities brought forth by this development, we will build on advantage in our core resources and capabilities to further expand higher-value integrated information services. This will also contribute to the digital and informationised development of our society. We will maintain a clear focus on key industries and customers, while leveraging our advantages in centralised management and professional operation to explore areas such as video surveillance, edge computing, field surveillance, information and data collection and smart communities with an innovative approach. We will expedite the speed of product innovation and pledge further collaboration with ecosystem partners, creating a "Platform + Ecosystem" business model.

Energy operation business: We will continue to pursue sharing and collaborative development, fully leveraging the advantages of our core resources and capabilities to focus on developing key businesses such as power backup, generation, charging, and battery exchange. We will continue to optimise our product platform and portfolio to ensure that our products are practical and reliable. We will build the maintenance service system for our energy operation business to establish professional service capabilities and further improve the user experience. Good products will help scale up our business while good service will help build up our brand in the market space. By doing so, we will gradually forge our unique competitive advantages, founding a strong base for the quality and sustainable development of our energy operation business.

Management Discussion and Analysis

– Financial Overview

(Expressed in RMB unless otherwise indicated)

1. Summary

In 2019, the Company insisted in strategy-oriented to enhance the "sharing" philosophy, while exploring diversified market opportunities and continuing to implement delicacy management, the operating results were steadily improved.

In 2019, the operating revenue of the Company amounted to RMB76,428 million, up by 6.4% over last year; the operating profit amounted to RMB11,281 million, up by 24.2% over last year; profit attributable to owners of the Company was RMB5,222 million, up by 97.1% over last year; the EBITDA was RMB56,696 million, up by 35.7% over last year; the capital expenditures amounted to RMB27,123 million and the free cash flow amounted to RMB22,812 million.

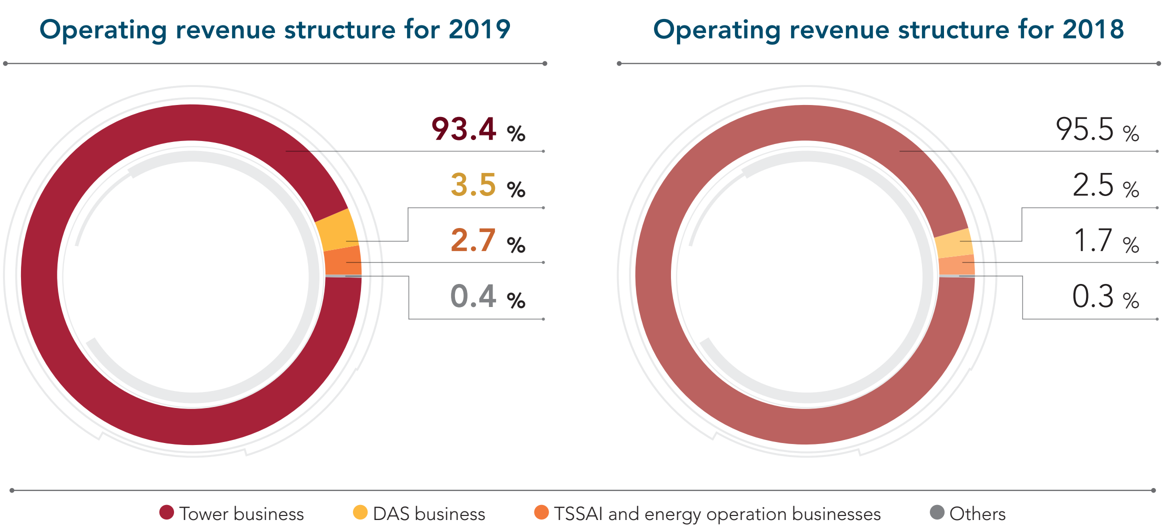
The Company has adopted IFRS16 "Lease" since 1 January 2019. Pursuant to the requirement of the standard, the Company, as the lessee, has recognised in the balance sheet lease liabilities that reflect future lease payments and right-of-use assets whereas short-term leases or low-value leases were elected to be exempted. In the meantime, depreciation and amortisation expenses related to right-of-use assets and finance costs related to lease liabilities were recognised instead of corresponding lease expenses that shall be included under "site operating lease charges", while cash payments of lease liabilities were incorporated in cash flows from financing activities. The operating profit in 2019 amounted to RMB10,224 million, up by 12.6% over last year; the EBITDA was RMB44,284 million, up by 6.0% over last year; and the free cash flow amounted to RMB11,593 million, assuming that IFRS 16 has not been adopted by the Company and compared with the data of the same period over 2018 on the same comparable basis, which is referred to as "comparable basis" hereinafter.

2. Operating Revenue

In 2019, the Company built on resources sharing. Serving TSPs with towers and DAS remained our overarching focus, supplemented by the TSSAI and energy operation businesses, for actively promoting the One Core and Two Wings strategy. In 2019, the operating revenue of the Company amounted to RMB76,428 million, up by 6.4% over last year; and our revenue constantly recorded stable growth, and our revenue structure tended to diverse. The aggregated proportion of revenue from non-tower business, including DAS business and Two Wings business, increased from 4.5% to 6.6% over last year.

The table below summarises the changes in composition of the Company's operating revenue for the years of 2019 and 2018:

(RMB million)		2019 Total amount	2019 Proportion in operating revenue	2018 Total amount	2018 Proportion in operating revenue
Operating revenue		**76,428**	**100.0%**	71,819	100.0%
Of which:	Tower business	**71,406**	**93.4%**	68,597	95.5%
	DAS business	**2,658**	**3.5%**	1,819	2.5%
	TSSAI and energy operation businesses	**2,080**	**2.7%**	1,222	1.7%
	Others	**284**	**0.4%**	181	0.3%



Revenue from tower business

In 2019, the Company actively advanced integrated resource sharing and services covering towers, shelters, maintenance and monitoring, etc. Meanwhile, the tower business continued to grow and the revenue from tower business amounted to RMB71,406 million, up by 4.1% over last year through the integrated wireless communications coverage solutions for indoor and outdoor wireless communications coverage with a mix of macro cells and small cells to address specific needs of customers in a cost-effective and high efficient manner.

Revenue from DAS business

In 2019, the Company fully exerted our coordination and entrance advantages in key scenarios. The Company also strengthened external cooperation by the diversified construction proposal with the combination of active and passive DAS, and actively expanded the DAS market. The revenue from DAS business amounted to RMB2,658 million, up by 46.1% over last year. The revenue from DAS business accounted for 3.5% of our operating revenue, representing an increase of 1.0 percentage point compared to that of last year.

Revenue from TSSAI and energy operation businesses

In 2019, the Company, having maximised core resources advantages, actively exploited the innovation in the TSSAI business model based on platform operation and integrated information service, conducted exploration in respect of power backup, generation and charging, battery exchange, and echelon use of batteries and formulated layout for social operation and services of energy, recorded a revenue of RMB2,080 million from TSSAI and energy operation businesses, up by 70.2% over last year, of which the revenue from TSSAI business was RMB1,887 million and the energy operation business was RMB193 million. The revenue from TSSAI and energy operation businesses accounted for 2.7% of our operating revenue, representing an increase of 1.0 percentage point compared to that of last year.

Revenue from other business

In 2019, the Company provided other services such as agent construction for transmission facilities, achieving an operating revenue of RMB284 million.

3. Operating Expenses

In 2019, the Company persisted in delicacy management of individual sites, while reducing costs by referencing to benchmarks; leveraged transparent and efficient Internet-based management models for precise and intensive cost deployment, reduction in costs and improvement in efficiency were enhanced. In 2019, the operating expenses were RMB65,147 million, up by 3.8% over last year. The operating expenses accounted for 85.2% of the operating revenue, down by 2.2 percentage points over last year.

The table below summarises the changes in composition of the Company's operating expenses for the years of 2019 and 2018 on the comparable basis:

(RMB million)	2019 Total amount	2019 Total amount (on the comparable basis)	2019 The comparable basis as a proportion of operating revenue	2018 Total amount	2018 Proportion in operating revenue
Operating expenses	65,147	66,204	86.6%	62,738	87.4%
Of which: Depreciation and amortisation	45,415	34,060	44.6%	32,692	45.5%
Site operating lease charges	639	12,699	16.6%	12,196	17.0%
Repair and maintenance	5,993	5,993	7.8%	6,165	8.6%
Employee benefits and expenses	5,863	5,863	7.7%	4,917	6.8%
Other operating expenses	7,237	7,589	9.9%	6,768	9.5%

Depreciation and amortisation

In 2019, the depreciation and amortisation were RMB45,415 million. Benefited from improvement in co-location efficiency, the implementation of integrated solution and the utilization of social resources, the investment in construction of the Company was effectively controlled, with the depreciation and amortization up by 4.2% over last year on the comparable basis, and accounted for 44.6% of the operating revenue, representing a decrease from 45.5% in last year.

Site operating lease charges

In 2019, the Company strengthened the management of site rent contracts renewal and strived for low-cost site resources to effectively control the increase in costs of sites. The site operating lease charges were RMB639 million. On the comparable basis, the site operating lease charges were up by 4.1% over last year, and accounted for 16.6% of the operating revenue, representing a decrease from 17.0% in last year.

Repair and maintenance expenses

In 2019, the Company leveraged the nationwide "Internet of Things + Internet" wireless monitor system to improve capability in precise repair and maintenance, strengthen cost control in repair and maintenance, and provide professional retail and maintenance protection in a low-cost and sound-service manner. Repair and maintenance expenses were RMB5,993 million, down by 2.8% over last year.

Employee benefits and expenses

In 2019, the Company insisted on implementing performance-linked incentive policy, timely recruited outstanding industry talents to fulfill its business development needs for Two Wings business, first adopted and implemented Restricted Share Incentive Scheme, achieving employee benefits and expenses of RMB5,863 million, up by 19.2% over last year.

Other operating expenses

In 2019, other operating expenses were RMB7,237 million. On the comparable basis, other operating expenses were up by 12.1% over last year, of which development expenses primarily incurred for TSSAI and energy operation businesses were up by RMB456 million over last year due to the development of TSSAI and energy operation business; credit loss allowance were up by RMB395 million over last year, due to recognition of which in a prudent manner based on the client's expected credit losses.

4. Finance Costs

The Company insisted on centralized management of funds, multi-channel fund-raising with low costs to reduce costs of funds. As of the end of 2019, the Company had interest-bearing liabilities of RMB120,353 million, down by RMB3,893 million over last year on the comparable basis. Due to decrease in average balance of interest-bearing liabilities and decline in comprehensive finance costs, the Company's net finance costs amounted to RMB4,598 million in 2019, down by 20.2% over last year. On the comparable basis, net finance costs were down by 43.2% over last year.

5. Profitability

Operating profit and EBITDA

In 2019, the Company's operating profit amounted to RMB11,281 million, up by 24.2% over last year; the EBITDA amounted to RMB56,696 million, increased by 35.7% over last year, representing 74.2% of operating revenue. On the comparable basis, EBITDA increased by 6.0% over last year, representing 57.9% of operating revenue.

Profit attributable to owners of the Company

In 2019, profit attributable to owners of the Company amounted to RMB5,222 million, up by 97.1% over last year. The Company's basic earnings per share for 2019 was RMB0.0297.

6. Capital Expenditures and Cash Flow

Capital expenditures

In 2019, the Company underwent further in resources sharing and leveraged on utilisation of self-owned and social resources to satisfy customers' needs for construction with low-cost and high efficiency. Meanwhile, by persistently enhancing asset management throughout their life cycle and efficiently monitoring and controlling the scale of investment, the capital expenditures accumulated to RMB27,123 million and accounted for 35.5% of the revenue, representing a decrease from 36.9% over last year.

The table below summarises the major items of the Company's capital expenditures in 2019.

(RMB million)		2019 Total amount	2019 Proportion
Capital expenditures		27,123	100.0%
Of which:	New site construction and augmentation	19,725	72.7%
	Site replacement and improvement	4,203	15.5%
	I.T. support and purchase of comprehensive building for production	3,195	11.8%

Operating cash flow and free cash flow

In 2019, the Company had net cash generated from operating activities of RMB49,935 million. Free cash flow, after deducting the capital expenditures, was RMB22,812 million. On the comparable basis, net cash generated from operating activities amounted to RMB38,716 million and free cash flow amounted to RMB11,593 million.

7. Balance Sheet Status

As at the end of 2019, the Company's total assets amounted to RMB338,067 million; the Company's total liabilities amounted to RMB155,506 million, of which the net debts amounted to RMB114,130 million. The debt to asset ratio was 46.0%, decreased by 1.1 percentage points from the restated basis[1] at 1 January 2019; the gearing ratio dropped by 1.4 percentage points from the restated basis at 1 January 2019 to 38.5%.

Note 1: restated basis at 1 January 2019 refers to the amount of the data in the balance sheet as at 31 December 2018 after retrospective adjustment according to the changes in accounting policies upon initial implementation of IFRS 16 by the Company on 1 January 2019.


5G


ENERGY OPERATION
Power backup
+
Power generation
+
Power charging
+
Battery exchange

Profiles of Directors, Supervisors and Senior Management

(As at 18 March 2020)

Mr. Tong Jilu 佟吉祿 | Director

Aged 61, has been an executive Director since July 2014 and the chairman of the Board since March 2018. Mr. Tong served as the general manager of the Company from July 2014 to June 2019. He 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. Gu Xiaomin 顧曉敏 | Director

Aged 56, has been an executive Director since July 2019, the general manager of the Company since June 2019. Mr. Gu served as a deputy general manager of the Company from August 2014 to June 2019, and as the chairman of the labor union of the Company from June 2017 to January 2020. 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. Dong Xin 董昕 | Director

Aged 53, 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. Zhang Zhiyong 張志勇 | Director

Aged 54, 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. Fan Cheng 樊澄 | Director

Aged 64, 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 | Director

Aged 67, 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 life honorary president of Hong Kong Chinese Securities Association and a standing committee member of the Chinese General Chamber of Commerce. He was a council member of HKSAR Financial Services Development Council (FSDC) and a member of the 12th Chinese People's Political Consultative Conference Shanghai Committee.

Supervisors

Mr. Li Wenmin 李文民 | Supervisor

Aged 56, 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 | Supervisor

Aged 57, 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 | Supervisor

Aged 53, 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 | Supervisor

Aged 56, 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 from November 2013 to October 2019. 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 from November 2013 to October 2019, 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.

Ms. Li Tienan 李鐵南 | Supervisor

Aged 50, has been a Supervisor since July 2019. Ms. Li served as a First-level Superintendent of Pre-trial Division of Shenyang Public Security Bureau of Liaoning Province from August 1992 to December 1999, a lawyer of Shenyang Jinde Law Firm from December 1999 to December 2002, a contract director of the legal department of China National Coal Group Corp. from December 2002 to August 2003, a general legal counsel and a director of the legal department of China Coal & Coke Holdings Ltd. from August 2003 to April 2011, a deputy general manager of the legal department of China National Coal Group Corp. from April 2011 to June 2011, a deputy general manager of the legal department of China Reform Holdings Corporation Ltd. from June 2011 to July 2014, during which she also served as a deputy general manager of the legal department of CNIC Corporation Limited from January 2013 to September 2014. Ms. Li served as a general manager of the legal department of CNIC Corporation Limited from September 2014 to March 2019, during which she also served as a general manager of the legal department of CNIC Consulting Corporation Limited from February 2017 to March 2019. She served as the deputy general manager of China Reform Asset Management Co., Ltd. from March 2019 to February 2020. Ms. Li has served as a director of Guoxin Ronghui Equity Investment Fund Management Co., Ltd. and an external director of China Culture Development Corporation Ltd. since March 2019, and the general manager of China Reform Asset Management Co., Ltd. since February 2020.

Ms. Li graduated from Northwest University of Political Science and Law with a bachelor's degree in law in 1992 and obtained an MBA degree in Renmin University of China.

Mr. Wang Hongwei 王宏偉 | Supervisor

Aged 53, 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, deputy general manager of the audit department of the Company from June 2017 to December 2019 and has been general manager of the audit department of the Company since December 2019. 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.

Other Senior Management

Mr. Gao Chunlei 高春雷 | Senior Management

Aged 53, has been the chief accountant of the Company since August 2014 and the chairman of the labor union of the Company since January 2020. 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 | Senior Management

Aged 57, 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.

Mr. Liu Guofeng 劉國鋒 | Senior Management

Aged 50, has been a deputy general manager of the Company since June 2019. Mr. Liu joined the Company in August 2014 and had served as general manager of Jiangxi branch of the Company, general manager of maintenance department of the Company, general manager of Henan branch of the Company and general manager of the operation and maintenance department (formerly known as maintenance department, renamed as operation and maintenance department in December 2018) of the Company. He has been the chairman of the board of Energy Tower Corporation Limited* (鐵塔能源有限公司) since June 2019. He served as general manager of market and operation department and general manager of the planning department of China Mobile Group Sichuan Company from December 2003 to February 2010. He served as director and deputy general manager of China Mobile Group Guizhou Company from February 2010 to August 2014.

Mr. Liu obtained a doctorate degree in railway traction electrification and automation from Southwest Jiaotong University and is qualified as a senior engineer.

Mr. Zhang Quan 張權 | Senior Management

Aged 49, has been a deputy general manager of the Company since January 2020. Mr. Zhang served as the general manager of the Shandong branch of the Company since he joined the Company in August 2014. He served as director of the network operations and maintenance department of Shandong branch and general manager of the Linyi branch of China Network Communications Group Corporation successively from June 2006 to November 2008, director of preparation division and general manager of Linyi Branch and deputy general manager of Yunnan branch of China United Network Communications Corporation Limited from November 2008 to August 2014.

Mr. Zhang obtained a bachelor's degree in telecommunications engineering from Beijing Institute of Posts and Telecommunications (renamed as Beijing University of Posts and Telecommunications) and a master's degree in electronics and information engineering from Beijing University of Posts and Telecommunications and is qualified as a senior engineer.

* *For identification purpose only*

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 2019.

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 2019 and the financial position of the Group as at that date are set out in the audited consolidated financial statements on pages 96 to 160 of this annual report.

Annual General Meeting

The Company will hold the 2019 AGM on 21 May 2020. Please refer to the notice of the 2019 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 and has adopted a dividend policy. The Company shall 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; and

(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 Board proposes a final dividend of RMB0.01455 (pre-tax) per share for the year ended 31 December 2019. The dividend proposal will be proposed to the 2019 AGM for the Shareholders' consideration. The proposed final dividends, if approved, will be denominated and declared in Renminbi, which are expected to be paid on or around 30 June 2020 upon approval at the 2019 AGM.

Dividends will be paid in Renminbi for holders of domestic shares and the Southbound Shareholders, and dividends for H 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 2019 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 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 2019 to its H 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 2 June 2020.

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 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 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 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 tax at the effective tax rate under the relevant tax treaty. For individual H 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 Shareholders.

The Company will determine the country of domicile of the individual H Shareholders based on the registered address as recorded in the H share register of members of the Company on 2 June 2020. If the country of domicile of an individual H Shareholder is not the same as the registered address or if the individual H Shareholder would like to apply for a refund of the additional amount of tax finally withheld and paid, the individual H Shareholder shall notify and provide relevant supporting documents to the Company on or before 27 May 2020. 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 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 Shareholders.

The Company assumes no responsibility and disclaims all liabilities whatsoever in relation to the tax status or tax treatment of the H Shareholders and for any claims arising from any delay in or inaccurate determination of the tax status or tax treatment of the H 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 Shareholders' rights to attend and vote at the 2019 AGM (and any adjournment thereof), and entitlement to the 2019 final dividend, the H share's register of members of the Company will be closed. Details of such closures are set out below:

(1) For ascertaining the H Shareholders' rights to attend and vote at the 2019 AGM (and any adjournment thereof)

Latest time to lodge transfer documents for registration	4:30 p.m. on 20 April 2020
Closure of register of members (both inclusive)	21 April 2020 to 21 May 2020
Record date	21 May 2020

(2) For ascertaining the H Shareholders' entitlement to the 2019 final dividend

Latest time to lodge transfer documents for registration	4:30 p.m. on 27 May 2020
Closure of register of members (both inclusive)	28 May 2020 to 2 June 2020
Record date	2 June 2020

During the above closure periods, no transfer of H shares will be registered. To be eligible to attend and vote at the 2019 AGM, and to qualify for the 2019 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 as at 31 December 2019:

Name	Position	Date of the first appointment as a Director
Tong Jilu	Chairman of the Board and executive Director	15 July 2014
Gu Xiaomin	General manager and executive Director	31 July 2019
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

Mr. Gu Xiaomin was appointed as an executive Director at the extraordinary general meeting of the Company convened on 31 July 2019 and his term of office took effect from 31 July 2019.

Mr. Su Li resigned from his position as an independent non-executive Director on 10 January 2020 as he would like to devote more time and energy to his personal endeavours.

Mr. Shao Guanglu resigned from his position as a non-executive Director on 6 March 2020 due to change in work arrangement.

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 as at 31 December 2019:

Name	Position	Date of the first appointment as a Supervisor
Li Wenmin	Chairman of the supervisory committee and 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
Li Tienan	Shareholder representative Supervisor	31 July 2019
Wang Hongwei	Employee representative Supervisor	3 May 2018

On 16 July 2019, Mr. Wang Zhixue resigned from his position of a Supervisor due to change in work arrangement. Ms. Li Tienan was appointed as a Supervisor at the extraordinary general meeting of the Company convened on 31 July 2019 and her term of office took effect from 31 July 2019.

Profiles of the Directors and the Supervisors as at the date of this report 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 three 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 2019, 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 Listed Securities

For the year ended 31 December 2019, neither the Company nor any of its subsidiaries 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 2019, 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%
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%

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 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)	6.00%	4.4%
Citigroup Inc.	Interest held by controlled corporations/approved lending agent	H shares	5,060,178,856(L) 111,238,000(S) 4,771,556,113(P)	10.84% 0.24% 10.23%	2.87% 0.06% 2.71%
Wellington Management Group LLP (5)	Investment manager	H shares	3,300,194,102(L) 1,244,428(S)	7.07% 0.00%	1.88% 0.00%
Hillhouse Capital Advisors, Ltd. (6)	Investment manager	H shares	3,273,878,000(L)	7.02%	1.86%
Gaoling Fund, L.P.(6)	Legal and beneficial owner	H shares	2,899,776,000(L)	6.21%	1.65%
GIC Private Limited	Investment manager	H shares	2,868,241,866(L)	6.15%	1.63%
BlackRock, Inc.	Interest held by controlled corporations	H shares	2,727,254,457(L) 13,350,000(S)	5.84% 0.03%	1.55% 0.01%

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, Wellington Management Group LLP, as an investment manager, is deemed to have an interest in the Shares held by Wellington Management Singapore Pte. Ltd., Wellington Management Hong Kong Ltd, Wellington Management Company LLP, Wellington Management Global Holdings, Ltd., Wellington Investment Advisors Holdings LLP, Wellington Group Holdings LLP, Wellington Management Japan Pte Ltd and Wellington Management International Ltd.

(6) By virtue of the SFO, Hillhouse Capital Advisors, Ltd., as an investment manager, is deemed to have an interest in the shares held by Gaoling Fund, L.P. and YHG Investment, L.P. According to the latest Disclosure of Interests filed by Hillhouse Capital Advisors, Ltd. on 28 February 2019, number of Shares held by Gaoling Fund, L.P. has further slightly increased to 3,074,310,000 Shares (L).

Save as disclosed above, as at 31 December 2019, 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.

Restricted Share Incentive Scheme

In order to further improve the corporate governance structure of the Company, and to establish and develop a long-term incentive mechanism, upon the approval of 2018 AGM, the Company adopted the Restricted Share Incentive Scheme on 18 April 2019. The Scheme Participants are the Directors, senior management of the Company and core technical and management personnel contributing directly to the overall business performance and sustainable development of the Company. On 18 April 2019, the Board approved the Initial Grant under the Restricted Share Incentive Scheme, and approved the First Tranche of Grant and the Second Tranche of Grant on 18 April 2019 and 19 December 2019, respectively. For details, please refer to the announcement and circular of the Company both dated 4 March 2019, the announcement of the Company on poll results of the 2018 AGM and announcement of the Initial Grant both dated 18 April 2019, and the announcement of the Company on the Second Tranche of Grant dated 19 December 2019, in relation to, *inter alia*, (i) the adoption of the Restricted Share Incentive Scheme and the Administrative Measures on the Restricted Share Incentive Scheme; (ii) the authorization to the Board to implement the Restricted Share Incentive Scheme and grant Restricted Shares under the Restricted Share Incentive Scheme from time to time; and (iii) the Initial Grant, including the First Tranche of Grant and the Second Tranche of Grant.

In addition, according to the price adjustment mechanism of the Restricted Share Incentive Scheme, the grant price of the First Tranche of Grant shall be adjusted based on the final dividend of RMB0.00225 per Share for the year 2018, and rounding to two decimal places, the grant price after such adjustment maintained at RMB1.03 per Restricted Share.

The Restricted Share Incentive Scheme is a discretionary scheme of the Company and does not constitute a share option scheme under Chapter 17 of the Listing Rules.

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

Save as described below, as at 31 December 2019, 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.

Name of the Directors, Supervisors and chief executive	Nature of interest	Class of shares	Number of shares held [(1)(2)]	Percentage of shares in the relevant class of shares of the Company	Percentage of shares in the total shares in issue of the Company
Tong Jilu	Other	H shares	1,800,000 (L)	0.00%	0.00%
Gu Xiaomin[(3)]	Other	H shares	1,550,000 (L)	0.00%	0.00%

Notes:

(1) (L) – Long position

(2) These represent the number of the Restricted Shares which were granted to the above-mentioned persons by the Company. Please see "Restricted Share Incentive Scheme" above for details.

Mr. Tong Jilu and Mr. Gu Xiaomin have accepted 1,800,000 and 1,550,000 Restricted Shares granted by the Company under the Restricted Share Incentive Scheme, respectively. For details, please refer to the announcement and circular of the Company both dated 4 March 2019, and the announcement of the Company on poll results of the 2018 AGM and announcement of the Initial Grant both dated 18 April 2019, in relation to '*inter alia*' (i) the adoption of the Restricted Share Incentive Scheme and the Administrative Measures on the Restricted Share Incentive Scheme; (ii) the authorization to the Board to implement the Restricted Share Incentive Scheme and grant Restricted Shares under the Restricted Share Incentive Scheme from time to time; and (iii) the Initial Grant.

(3) Mr. Gu Xiaomin served as a deputy general manager of the Company when he was granted such Restricted Shares. He has served as the general manager of the Company since 10 June 2019, and was appointed as an executive Director upon Shareholders' approval at the extraordinary general meeting of the Company held on 31 July 2019.

Save as described above, as at 31 December 2019, 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 33 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 year ended 31 December 2019.

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 2019 are set out in note 7 to the audited consolidated financial statements for the year.

Permitted Indemnity

During the year ended 31 December 2019 and as at date of approval of this report, the Company has arranged appropriate insurance cover in respect of potential 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 2019, 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 five years ended 31 December 2019 are set out on pages 161 to 162 of this annual report.

Debt Financing Instruments

During the reporting period, the Group publicly issued short-term commercial papers in the China's Interbank Bond Market, for the purpose of repaying the debts of the Group, replenishing liquidity and other purposes as permitted by applicable laws and regulations. Details are set out in note 25 to the audited consolidated financial statements for the year.

Bank Loans and Other Borrowings

Details of bank loans and other borrowings of the Group are set out in note 25 to the audited consolidated financial statements for the year.

Capitalized Interest

Details of capitalized interest of the Group for the year ended 31 December 2019 are set out in note 10 to the audited consolidated financial statements for the year.

Fixed Assets

Details of the movement in fixed assets for the year ended 31 December 2019 are set out in note 13 to 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 at 31 December 2019, calculated on the above basis and including the proposed final dividends for 2019, amounted to RMB3,870 million.

Details of the movement in reserves of the Company and the Group for the year ended 31 December 2019 are set out in note 32 and note 23 to the audited consolidated financial statements for the year, respectively.

Equity-Linked Agreements

For the year ended 31 December 2019, the Company has not entered into any equity-linked agreement.

Donations

For the year ended 31 December 2019, the Group made charitable and other donations of a total amount of RMB7 million.

Subsidiaries and Associated Company

Details of subsidiaries of the Company and the associated company of the Group as at 31 December 2019 are set out in note 17 and note 18 to 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 consolidated financial statements for the year (page 98 of this annual report).

Retirement Benefits

Details of the retirement benefits provided by the Group are set out in note 7 to 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 2019, the Group had approximately 23,000 staff, of which approximately 19,000 staff were on contract basis while approximately 4,000 staff were on other basis. Total staff costs for the year amounted to RMB5,863 million, which included wages, social insurance, housing provident fund, corporate supplemental insurance, expenses on benefits, working fund for labor union, education fund, labor security expenses, and share-based compensation arising from the Restricted Share Incentive Scheme.

The Group 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.

The Company also adopted the Restricted Share Incentive Scheme pursuant to which the Company can grant H Shares to the Scheme Participants. Please see "Restricted Share Incentive Scheme" above for details.

Major Customers and Suppliers

For the year ended 31 December 2019, the revenue from providing services to the Group's five largest customers (including China Mobile and its subsidiaries, China Telecom, China Unicom Corporation) accounted for 97.5% of total revenue of the Group for the full-year, while revenue from the largest customer accounted for 52.2% of total revenue of the Group for the full-year.

For the year ended 31 December 2019, 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 connected persons of the Company.

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 2019 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 each 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 each of the Telecom Shareholders and their respective branches/subsidiaries;

Service in relation to service products: the Company provides power supply and generation services to each of 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 2019

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 2019 (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	37,189
	(2) DAS products	1,433
	(3) transmission products	37
	(4) service products	1,171
	Total	39,830
	Year ended balance of the advances made by the Group in relation to services of paying electricity fee on behalf of customer	3,126
A.2.	Transaction amount of the principal services provided to China Unicom Corporation	
	Revenue generated by the Group	
	(1) tower products	14,235
	(2) DAS products	545
	(3) transmission products	15
	(4) service products	1,887
	Total	16,682
	Year ended balance of the advances made by the Group in relation to services of paying electricity fee on behalf of customer	903

	Transaction amounts in 2019 (RMB in million)
A.3. Transaction amount of the principal services provided to China Telecom	
Revenue generated by the Group	
(1) tower products	15,670
(2) DAS products	680
(3) transmission products	20
(4) service products	1,352
Total	17,722
Year ended balance of the advances made by the Group in relation to services of paying electricity fee on behalf of customer	807

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.

Services 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 2019

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 2019 (RMB in million)	Transaction amounts in 2019 (RMB in million)
Office buildings	Rents	N/A	1
	Management fees	N/A	–
	Subtotal	**18**	**1**
Sites	Rents	257	139
	Subtotal	**257**	**139**
Total		**275**	**140**

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

		Annual caps for 2019 (RMB in million)	Transaction amounts in 2019 (RMB in million)
Office buildings	Rents	N/A	18
	Management fees	N/A	–
	Subtotal	**30**	**18**
Sites	Rents	100	41
	Subtotal	**100**	**41**
Total		**130**	**59**

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

		Annual caps for 2019 (RMB in million)	Transaction amounts in 2019 (RMB in million)
Office buildings	Rents	N/A	61
	Management fees	N/A	1
	Subtotal	**215**	**62**
Sites	Rents	283	115
	Subtotal	**283**	**115**
Total		**498**	**177**

The Company has adopted the IFRS 16 "Lease" on 1 January 2019, while the Property Lease Framework Agreements and the relevant annual caps were entered into and set and approved in 2018. The above transaction amounts are derived from accounting records and are calculated on the same basis upon which the annual caps were set and approved.

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 Agreements 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 Provided

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 2019

For the financial year ended 31 December 2019, the following non-de minimis continuing connected transactions of the Company has not exceeded the respective caps:

	Annual caps for 2019 (RMB in million)	Transaction amounts in 2019 (RMB in million)
C.1. Construction, design, supervision, outsourcing maintenance, intermediary, supply chain and training services provided by CMCC and its associates	1,072	548
C.2. Construction, design, supervision, outsourcing maintenance, intermediary, supply chain and training services provided by CUC and its associates	1,047	526
C.3. Construction, design, supervision, outsourcing maintenance, intermediary, supply chain and training services provided by CTC and its associates	10,872	4,906

D. Site Resource Service to China Mobile Company and its Associates

During the reporting period, the Company provided site resource services to the customers of China Mobile Company and its associates to host certain equipment of them, and assisting them to maintain a smooth operation of such equipment through provision of the Company's maintenance and power services. The Company entered into the Site Resource Service Framework Agreement with CMCC. As the applicable percentage ratios under Rule 14.07 of the Listing Rules for the annual caps of the transactions contemplated under the Site Resource Service Framework Agreement exceed 0.1% and all of the relevant percentage ratios are less than 5%, the transactions contemplated under the Site Resource Service Framework Agreement are subject to the reporting, annual review and announcement requirements.

Site Resource Service Framework Agreement with CMCC

The Company entered into the Site Resource Service Framework Agreement with CMCC on 19 December 2019, pursuant to which the Company should provide China Mobile Company and its associates with (i) site resources which enable China Mobile Company and its associates to host non-telecommunications equipment (including but not limited to video surveillance and environmental surveillance equipment), and (ii) integrated services to maintain a smooth operation of the aforesaid equipment, such as equipment installation, site maintenance and power services.

Service Period

The Site Resource Service Framework Agreement becomes effective on the date of its execution and will expire on 31 December 2020.

Pricing Policy

The price for the transactions under the Site Resource Service Framework Agreement shall be determined by both parties on an arms' length negotiation based on the market prices in accordance with the principle of fairness and justice and with reference to (i) the actual business needs of China Mobile Company and its associates including specific locations, sizes, quantities and periods, and (ii) the quality, costs and reasonable profits of the services provided by the Company. The pricing mechanism and the price determined shall be in compliance with the applicable requirements of the Listing Rules and the guidance letters updated by the Hong Kong Stock Exchange from time to time.

Annual Caps and Transaction Amounts in 2019

For the financial year ended 31 December 2019, the amount of the revenue of the Company generated from provision of site resource service to China Mobile Company and its associates of the Company has not exceeded the cap:

	Annual cap for 2019 (RMB in million)	Transaction amount in 2019 (RMB in million)
Revenue of the Company generated from provision of site resource service to China Mobile Company and its associates	100	85

Further details of the above continuing connected transactions are set out in the note 33 of the consolidated financial statements.

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 Rule 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 2019 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 33 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 for the year ended 31 December 2019. 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 2019.

Corporate Social Responsibility

The Group has proactively fulfilled its social responsibilities and has taken practical and concrete actions that contribute positively to the society. The Group has adhered to its core principle in resource sharing for the benefit of all through driving the co-development of social and industrial assets, optimizing investments and reducing wastage, to achieve a higher efficiency in resource utilization across society. By providing uninterrupted power supply and maintenance services to the TSPs and our TSSAI customers, the Group is able to fulfill its obligations to support emergency communications. The Group is a keen advocate of energy saving and emissions reduction, and of exploring the practical uses for new sources of energy. It has also launched innovative services in areas such as environmental and pollution monitoring and have adopted eco-friendly and low carbon development practices. The Group strives to improve the customer service and has built a comprehensive customer service process, diverse customer service channels and effective assessment mechanism for customer service. To create a corporate culture to emphasize integrity, the Group has built the three supervision systems, namely business supervision, audit supervision and discipline supervision, which provide a strong safeguard for the healthy development of the Company. Meanwhile, the Group adopted supplier qualification management and established a transparent procurement system. Protecting the basic interests of the employees is our priority. The Group has a solid development system, and strives to optimize an innovative incentive system for its employees. In addition, the Group has undertaken multiple targeted projects to alleviate poverty and enhance information supply by extending communications infrastructure into villages, especially those in China's remote western region, in order to narrow the digital divide.

The Group strictly complies with relevant 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 Energy Conservation*, the *Work Safety Law of the People's Republic of China*, the *Measures for Supervision and Administration over Job-related consumption by Persons in Charge at State-owned Enterprises*, the *Anti-Unfair Competition Law of the People's Republic of China*, the *Trademark Law of the People's Republic of China*, the *Advertising Law of the People's Republic of China* and the *Labor Law of the People's Republic of China*. The Group has been consistently improving its governance structure and putting in place sound mechanisms and procedures to strengthen internal control and risk management. The Group has put 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 Group's long-term, sustainable and healthy development.

For more details of the Group's environmental, social and governance performance, please refer to the "Corporate Governance Report" of this annual report and the "2019 Environmental, Social and Governance Report of China Tower" to be published separately.

Business Review

Relating to the details of the material development of the Group in 2019, 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 18 to 31 of this annual report. Description of the principal risks and uncertainties faced by the Group can be found throughout this annual report. Particulars of important events affecting the Group that have occurred after 31 December 2019 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 Group and on which the Group's success depends, the environmental policies of the Group, as well as compliance with relevant laws and regulations which have a significant impact on the Group can be found throughout this annual report. In addition, more details regarding the Group's performance including the financial key performance indicators, etc. 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 pages 71 to 90 of this annual report.

Events After the Reporting Period

(a) Issue of super short-term commercial papers

On 9 March 2020, the Company issued super short-term commercial papers in the amount of RMB4,000 million with a maturity of 178 days in China's interbank bond market.

On 12 March 2020, the Company issued super short-term commercial papers in the amount of RMB2,000 million with a maturity of 180 days in China's interbank bond market.

On 13 March 2020, the Company issued super short-term commercial papers in the amount of RMB2,000 million with a maturity of 179 days in China's interbank bond market.

(b) The impact of Novel Coronavirus

After the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country. The Company will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Company. As at the date of this report, the Company was not aware of material adverse effects on the financial statements as a result of the COVID-19 outbreak.

Material Legal Proceedings

For the year ended 31 December 2019, the Company was not involved in any material litigation or arbitration, and as far as the Company is aware, no material litigation or claims were pending or threatened or made against the Company.

Auditors

PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP were appointed as the international and domestic auditors of the Company, respectively for the year ended 31 December 2019. 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 2020 will be proposed to the 2019 AGM.

By Order of the Board
Chairman
Tong Jilu

Beijing, China
18 March 2020

Report of the Supervisory Committee

In 2019, the Supervisory Committee of the Company has conscientiously performed its supervisory duties, actively carried out its 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 Rules of Procedure 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 five meetings in accordance with relevant rules:

(1) on 1 March 2019, the sixth meeting of the second session of the Supervisory Committee was convened, at which four proposals on the consolidated financial statements for 2018, the annual results announcement and the annual report for 2018, formulation of the dividend policy and the proposal on profits distribution for 2018 and the report of Supervisory Committee for 2018 were reviewed and approved as resolutions of the meeting, respectively.

(2) on 17 April 2019, the seventh meeting of the second session of the Supervisory Committee was convened in the form of written communication, at which the unaudited financial statements and results announcement for the first quarter of 2019 were reviewed and approved.

(3) on 16 July 2019, the eighth meeting of the second session of the Supervisory Committee was convened in the form of written communication, at which the proposal on change of shareholder representative supervisor was reviewed and approved.

(4) on 5 August 2019, the ninth meeting of the second session of the Supervisory Committee was held, at which the interim results announcement and the interim report for the period ended 30 June 2019 were reviewed and approved as resolutions of the meeting.

(5) on 18 October 2019, the tenth meeting of the second session of the Supervisory Committee was convened in the form of written communication, at which the unaudited financial statements and results announcement for the first three quarters of 2019 were reviewed and approved.

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. 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 2019, 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 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. 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 were implemented.

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

The Supervisory Committee carefully reviewed the financial reports for 2019 and other materials proposed to be submitted by the Board to the general meeting , 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 reports give an objective and true view of the Company's financial condition and operating results.

3. Work Plan for 2020

In 2020, adhering to the principle of good faith, the Supervisory Committee will continue to practically accomplish all the tasks within their purview of responsibility, to perform honestly and diligently the supervisory duties, to enhance supervision efforts and to bring into full play the strength of the Supervisory Committee, in strict compliance with the requirements of the relevant laws and regulations and Articles of Association The Supervisory Committee will continue to work assiduously to protect the interests of Shareholders and the Company as well as to promote sustainable development of the Company.

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

Beijing, China
18 March 2020

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.

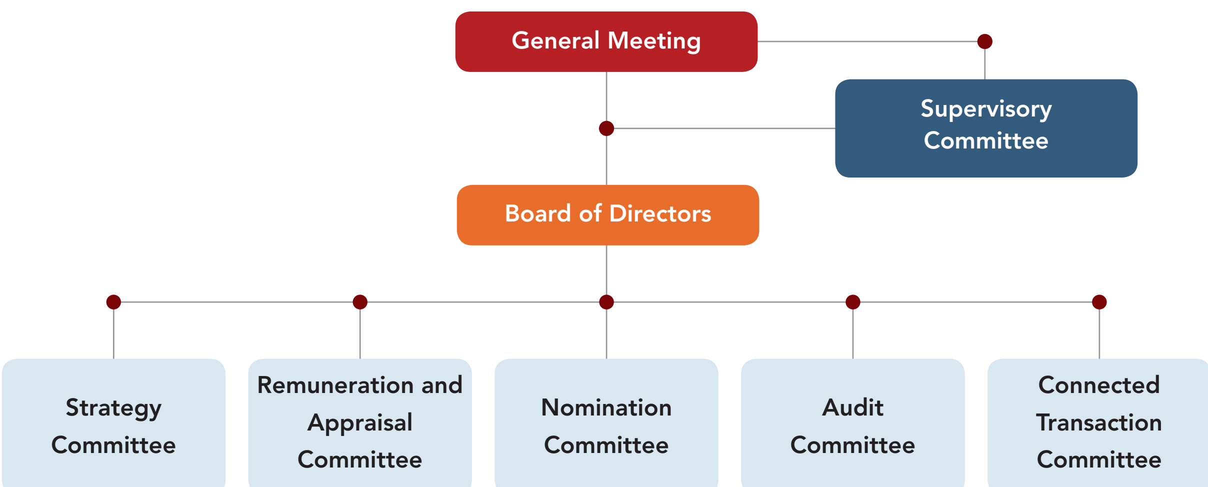
Corporate Governance Practices

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.

For the year ended 31 December 2019, 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 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.

In 2019, the Company convened 2 general meetings including the 2018 AGM and the 2019 EGM.

At the 2018 AGM held on 18 April 2019, resolutions including but not limited to the company's consolidated financial statements for 2018, profit distribution and dividend declaration proposal, re-appointment of auditors, adoption of Restricted Share Incentive Scheme and the administrative measures, issuance of debt financing instruments, dividend policies, and general mandate to the Board to issue, allot and deal with additional shares in the Company not exceeding 20% of each of the existing Domestic Shares and H Shares in issue were reviewed and approved.

At the 2019 EGM held on 31 July 2019, resolutions including but not limited to the appointment of Mr. Gu Xiaomin as an executive Director and the appointment of Ms. Li Tienan as a Supervisor were reviewed and approved.

The above resolutions at the general meetings were approved and passed by Shareholders, and details of the relevant poll results were published on the Company's website and the Hong Kong Stock Exchange's website.

The 2019 AGM will be held in May 2020. 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 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 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 date of general meeting. 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 proposals, 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 the Company's 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

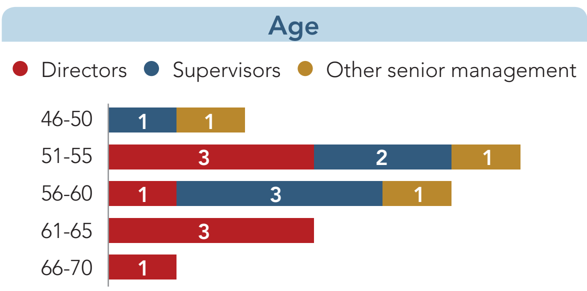
As at 31 December 2019, the second session of the Board of the Company comprised eight Directors including:

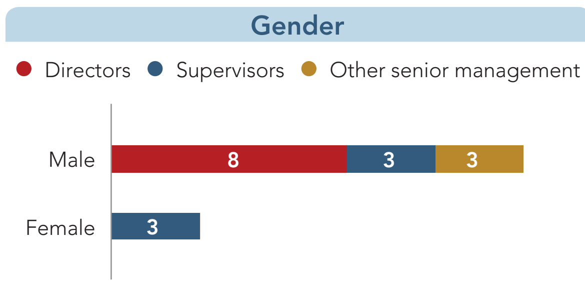
Executive Directors	Tong Jilu (Chairman)	Gu Xiaomin (General Manager)	
Non-executive Directors	Dong Xin	Shao Guanglu	Zhang Zhiyong
Independent non-executive Directors	Su Li	Fan Cheng	Tse Yung Hoi

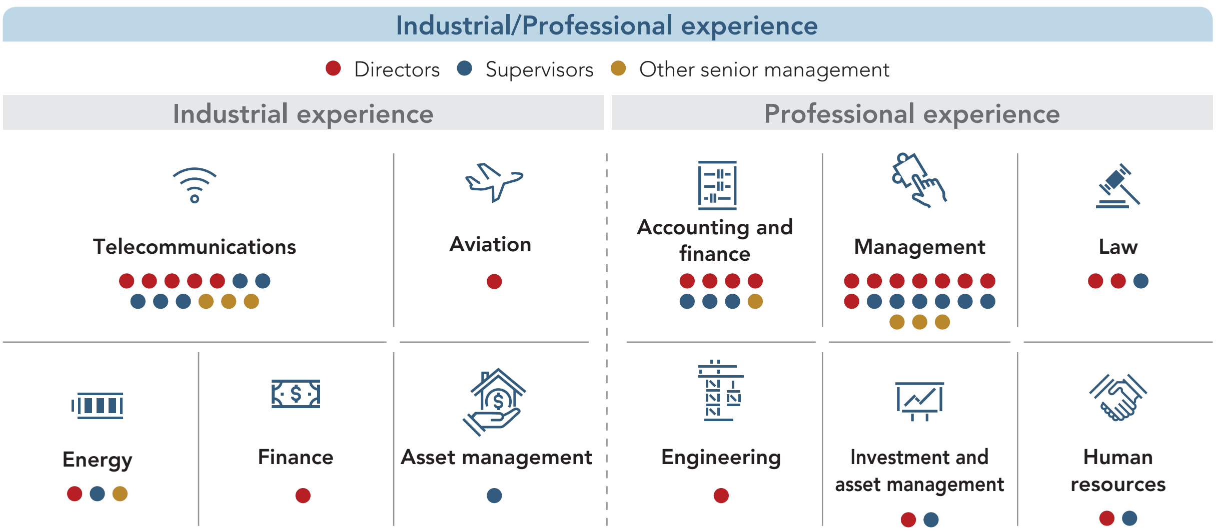
The Directors are typically appointed for a term of three years and eligible for re-election upon expiry of their term of office. The second session of the Board has a term of three years beginning in May 2018 and expiring on the date on which the 2020 annual general meeting of the Company to be held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

Position					
Executive Director	Non-executive Director	Independent non-executive Director	Employee representative Supervisor	Shareholder representative Supervisor	Other senior management
2	3	3	2	4	3

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.



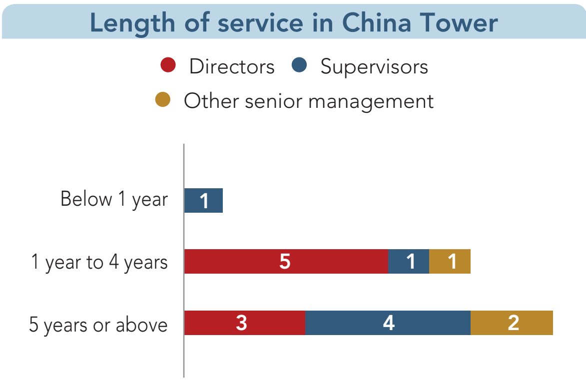




In accordance with the Articles of Association and the terms of reference of the Nomination Committee, when nominating and appointing new directors, the Nomination Committee will look for suitable candidates widely and make recommendations to the Board after considering the Company's needs for new directors. 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. During the reporting period, among the members of the Board there are three independent non-executive Directors, among which Mr. Fan Cheng is qualified as an accountant and satisfies the requirements with Rules 3.10, 3.10A 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.



To the best knowledge of the Directors, as at 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.

For the year ended 31 December 2019, 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 at 31 December 2019, 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.

On 10 January 2020, Mr. Su Li resigned from his positions as an independent non-executive Director, the chairman of the Remuneration and Appraisal Committee, a member of the Strategy Committee, the Nomination Committee and the Connected Transaction Committee as he would like to devote more time and energy to his personal endeavours. Following the resignation of Mr. Su Li, the number of independent non-executive Directors falls below the requirements that the number of independent non-executive Directors shall be no less than three and shall be no less than one-third of the Board under the Listing Rules. In addition, the compositions of the Remuneration and Appraisal Committee and the Nomination Committee of the Board fail to comply with the Listing Rules, including the Corporate Governance Code set out in Appendix 14 to the Listing Rules, which require the majority of members of the above-mentioned Board committees to be independent non-executive Directors.

On 6 March 2020, Mr. Shao Guanglu resigned from his positions as a non-executive Director, a member of the Strategy Committee and the Remuneration and Appraisal Committee due to change in work arrangement.

The Board has proposed to appoint Mr. Mai Yanzhou ("Mr. Mai") as a non-executive Director and Mr. Deng Shiji ("Mr. Deng") as an independent non-executive Director subject to the approvals from the Shareholders at the 2019 AGM. Please refer to the Company's announcement dated 6 March 2020 for details. The Board will appoint chairman/members of the Remuneration and Appraisal Committee and the Nomination Committee of the Board in due course. Upon the appointments of Mr. Mai as a non-executive Director and Mr. Deng as an independent non-executive Director being approved at the 2019 AGM and the appointments of chairman/member of the the Remuneration and Appraisal Committee and the Nomination Committee being approved by the Board, the Company will re-comply with the relevant requirements under the aforesaid Listing Rules.

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.

For the period ended 10 June 2019, the Company did not have separate chairman and chief executive; Mr. Tong Jilu ("Mr. Tong") was the chairman of the Board and the general manager of the Company. In view of Mr. Tong's experience, personal profile and his roles in the Company, the Board considered 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, acted as the general manager of the Company. The Board believed that this structure would not impair the balance of power and authority between the Board and the management of the Company, given that:

(i) there was 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, for the period ended 10 June 2019, our Board had three independent non-executive Directors out of the seven Directors, which was in compliance with the Listing Rules;

(ii) Mr. Tong and the other Directors were 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 was ensured by the operations of the Board which comprised experienced and high caliber individuals who met 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 were made collectively after thorough discussion at both Board and senior management levels.

On 10 June 2019, Mr. Tong resigned from his position as the general manager of the Company due to work adjustment. Mr. Gu Xiaomin was appointed as the general manager of the Company on the same day. Mr. Tong continued serving as the chairman of the Board and an executive Director. Since then, the Company has complied with the Code Provision A.2.1 of the Corporate Governance Code.

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 or any of his associates has a material interest, nor shall he have right to vote. In 2019, the second session of the Board held five meetings and passed five written resolutions. In 2019, in addition to the general matters such as review and approval of the annual and interim financial statements, quarterly financial results, dividend distribution, corporate governance report, ESG report and budget, the Board also considered the resolutions regarding dividend policies, the Restricted Share Incentive Scheme, the First Tranche of Grant and the Second Tranche of Grant under the Initial Grant, investment in subsidiaries, amendments to terms of reference of the Audit Committee, changes of Director and senior management, connected transactions and the strategic plan, etc. For the resolution for considering and approving the site resource service framework agreement with CMCC and the continuing connected transactions contemplated thereunder (including the proposed annual caps thereof), the Director with material interest in such transactions has abstained from voting.

In 2019, the chairman of the Board had held two private meetings with three independent non-executive Directors 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 2019, the attendance record of Directors in the Company's second session Board meetings, Board committee meetings and general meetings were as follows:

	Attendance/Meetings entitled to attend during 2019						
	Board	Strategy Committee	Remuneration and Appraisal Committee	Nomination Committee	Audit Committee	Connected Transaction Committee	General Meetings
Executive Directors:							
Tong Jilu (Chairman)	5/5	1/1	–	2/2	–	1/1	2/2
Gu Xiaomin (General Manager)	3/3	1/1	–	–	–	2/2	–
Non-executive Directors:							
Dong Xin	3/5	1/1	–	1/2	–	–	1/2
Shao Guanglu	4/5	1/1	1/3	–	–	–	0/2
Zhang Zhiyong	1/5	0/1	–	–	1/3	–	0/2
Independent non-executive Directors:							
Su Li	4/5	1/1	3/3	2/2	–	3/3	1/2
Fan Cheng	5/5	–	3/3	2/2	3/3	3/3	2/2
Tse Yung Hoi	5/5	–	–	2/2	3/3	3/3	2/2

Notes:

1. Mr. Tong Jilu ceased to act as a member of the Connected Transaction Committee with effect from 31 July 2019.

2. Mr. Gu Xiaomin was appointed as an executive Director, a member of the Strategy Committee and a member of the Connected Transaction Committee on 31 July 2019.

3. Certain Directors (including non-executive Directors and independent non-executive Director) could not attend some of the Board meetings and Committee meetings due to other important business commitment. Such Directors have reviewed the relevant meeting agendas and papers in advance and appointed in writing other Directors to attend and vote on their behalf to ensure that their views and opinions are fully expressed in the meetings.

4. Certain Directors (including non-executive Directors and independent non-executive Director) could not attend some of the general meetings due to other important business commitments.

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, regulations and the Articles of Association. The Company engaged external lawyers to provide Mr. Gu Xiaomin, the executive Director appointed during the reporting period, 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 2019 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 Directors:			
Mr. Tong Jilu (Chairman)	√	√	√
Mr. Gu Xiaomin (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	√	√	√

Note: Mr. Gu Xiaomin was appointed as an executive Director of the Company on 31 July 2019.

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 Directors and Supervisors, and all Directors and Supervisors have confirmed that they have complied with the Company Code and the Model Code during the year ended 31 December 2019.

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

As at 31 December 2019, the Strategy Committee comprised six Directors, namely Mr. Tong Jilu and Mr. Gu Xiaomin, both being executive Directors, Mr. Dong Xin, Mr. Shao Guanglu[2] and Mr. Zhang Zhiyong, all being the non-executive Directors and Mr. Su Li[1], 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.

In 2019, one meeting was held by the Strategy Committee of the second session of the Board, during which the Company's strategic plan was considered.

Remuneration and Appraisal Committee

As at 31 December 2019, the Remuneration and Appraisal Committee comprised three Directors, namely, Mr. Su Li[1], being an independent non-executive Director, Mr. Shao Guanglu[2], being a non-executive Director, and Mr. Fan Cheng, being an independent non-executive Director. Mr. Su Li[1] served 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.

In 2019, three meetings were held by the Remuneration and Appraisal Committee of the second session of the Board, during which reports of remuneration of senior management of the Company for 2018, proposals for remuneration and appraisal of senior management of the Company for 2019, the Restricted Share Incentive Scheme, the First Tranche of Grant and the Second Tranche of Grant under the Initial Grant were considered.

Nomination Committee

As at 31 December 2019, the Nomination Committee comprised five Directors, namely, Mr. Tong Jilu, being an executive Director, Mr. Dong Xin, being a non-executive Director, and Mr. Su Li[1], 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.

In 2019, two meetings were held and one written resolution was approved by the Nomination Committee of the second session of the Board, during which matters on reviewing the structure and composition of the Board, appointment of senior management of the Company, election of executive Director, changes of board committee members were considered.

Audit Committee

As at 31 December 2019, the Audit Committee comprised 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.

In 2019, three meetings were held and two written resolutions were approved by the Audit Committee of the second session of the Board, during which matters such as the audited financial report for 2018, the unaudited financial statements for the first quarter of 2019, the interim financial report for 2019, the unaudited financial statements for the first three quarters of 2019, report on internal control and risk management, re-appointment of external auditors, amendments to terms of reference of the Audit Committee were considered. In addition, the Audit Committee discussed and received the audit plan from external auditor.

Connected Transaction Committee

As at 31 December 2019, the Connected Transaction Committee comprised four Directors, namely, Mr. Tse Yung Hoi, being an independent non-executive Director, Mr. Gu Xiaomin, being an executive Director, Mr. Su Li[1] 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.

In 2019, three meetings were held by the Connected Transaction Committee of the second session of the Board, during which the reports on connected transactions of the Company, and the Site Resource Service Framework Agreement with CMCC and the continuing connected transactions contemplated thereunder (including the proposed annual caps thereof) were considered.

Notes:
1. Mr. Su Li resigned from his positions as an independent non-executive Director, the chairman of the Remuneration and Appraisal Committee, a member of the Strategy Committee, the Nomination Committee and the Connected Transaction Committee with effect from 10 January 2020.
2. Mr. Shao Guanglu resigned from his positions as a non-executive Director, a member of the Strategy Committee and the Remuneration and Appraisal Committee with effect from 6 March 2020.

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 include four Shareholder representative Supervisors (Ms. Gao Lingling, Ms. Guo Xiaolin, Mr. Sui Yixun and Ms. Li Tienan) and two employee representative Supervisors (Mr. Li Wenmin and Mr. Wang Hongwei). Mr. Li Wenmin currently 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 expiring on the date on which the 2020 annual general meeting of the Company to be held in 2021 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 2019 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 2019.

Amendments to the Articles of Association

For the year ended 31 December 2019, there was no change in the Articles of Association of the Company.

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 2019, the fee paid/payable to the external auditors for audit and audit related services are RMB9.4 million and for ESG report advisory service is RMB0.3 million.

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 2020 and will propose such re-appointment for consideration at the 2019 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 92 to 95 of this annual report.

Risk Factors

The following section lists out the principal risks and uncertainties faced by the Company. 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 Company'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 Company's business and results of operations could be materially and adversely affected.

The Company'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 Company 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 Company's ability to select, acquire and maintain suitable sites is crucial to our success. The Company typically selects new sites that can best address the customers' needs and meet their network coverage objectives. The Company 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 Company 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 Company charges its customers on a lump sum basis, such as labor costs and some administrative expenses, the Company'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 Company.

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. Independent from business operations, the Company's internal audit system gives full play to its independent supervision role. According to the Company's development needs, the internal audit system centred on standardizing the business operating procedures and enhancing the standards of risk and internal control management. It focuses on key risks and significant risks, leverages on the advantages of the audit system to gradually form the systematic and standardized audit model and procedures, and continuously improves the audit quality and enhances the efficiency of rectification to the audit issues identified. The internal audit department at the Company's headquarters, leading local internal audit departments, 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 2019 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.

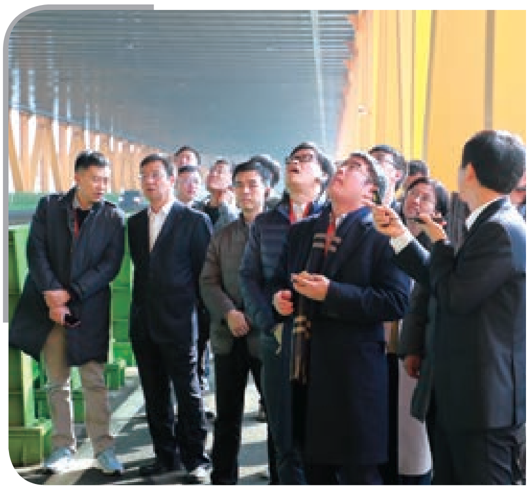
Information Disclosure

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's Investor Relations provide necessary information, data and services to Shareholders and investors in timely manner. It also maintains regular communications with Shareholders, investors and other capital market participants in order to allow timely and comprehensive understanding of the operation and latest development of the Company. The senior management of the Company attend press conferences for annual and interim results, providing important information to the capital market and media by ways of various activities such as analysts' meetings, press conferences, global investor telephone conferences and investors road shows, 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 of the telecommunications industry.

With the aim of strengthening communications with the capital market and enhancing transparency of information disclosure, the Company has provided quarterly disclosure of revenue, operating expenses, EBITDA, net profit figures and other key operational data.



The Company attaches great importance to maintaining seamless communication with Shareholders, investors and analysts. To strengthen communications and enhance transparency between the Company's management and Shareholders as well as potential investors, the management and investor relations personnel attended investor conferences, one-on-one and group meetings in Hong Kong, Macau, Singapore, Tokyo, Sydney, Taiwan and major cities across mainland China to meet with over 1,500 fund managers and analysts. The management reported the Company's development strategy, operation, competitive strengths and future prospects to investors and answered questions, in effort to build sound relationships with the investment community. In December 2019, the Company organized a reverse roadshow to introduce its business development in Wuhan, Hubei Province. The Company also compiled feedback reports to obtain a clearer understanding of the capital market's knowledge of and expectation on the Company, which is conducive to more efficient investor relations functions in the future.

The Company's investor relations website (ir.china-tower.com) not only serves as an important channel for the Company to disseminate press release and corporate information to investors, media and the capital market, but also plays a significant role in the Company's valuation and our compliance with regulatory requirements for information disclosure.

Shareholder Information

2020 Calendar

Announcement of 2019 annual results	18 March 2020
Annual General Meeting	21 May 2020
Last day to register for 2019 final dividend	27 May 2020
Closure of register of members	28 May to 2 June 2020
Expected payment date of 2019 final dividend	On or around 30 June 2020

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

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 96 to 160, which comprise:

- the consolidated balance sheet as at 31 December 2019;
- 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 2019, 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 Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). 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 matter identified in our audit is summarised as follows:

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition 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 IFRS 16 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 the related calculations, and assessed the reasonableness of the interest rate implicit in the lease with reference to the incremental borrowing rate of the Group. Based on the procedures performed, the revenue recognised and the significant judgements made by management above were supported by the audit evidences we obtained.

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 THE 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, 18 March 2020

Consolidated Statement of Comprehensive Income

	Note	Year ended 31 December 2019 RMB million	2018 RMB million
Operating revenue	6	**76,428**	71,819
Operating expenses			
Depreciation and amortisation	2.2	**(45,415)**	(32,692)
Site operating lease charges	2.2	**(639)**	(12,196)
Repairs and maintenance		**(5,993)**	(6,165)
Employee benefits and expenses	7	**(5,863)**	(4,917)
Other operating expenses	8	**(7,237)**	(6,768)
		(65,147)	(62,738)
Operating profit		**11,281**	9,081
Other gains	9	**154**	153
Interest income		**63**	248
Finance costs	10	**(4,661)**	(6,007)
Profit before taxation		**6,837**	3,475
Income tax expenses	11	**(1,616)**	(825)
Profit for the year		**5,221**	2,650
Profit attributable to:			
Owners of the Company		**5,222**	2,650
Non-controlling interests		**(1)**	–
Other comprehensive income, net of tax		**–**	–
Total comprehensive income for the year		**5,221**	2,650
Total comprehensive income attributable to:			
Owners of the Company		**5,222**	2,650
Non-controlling interests		**(1)**	–
		5,221	2,650
Basic and diluted earnings per share (in RMB Yuan)			
Basic/diluted	12	**0.0297**	0.0179

The notes on pages 100 to 160 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

	Note	As at 31 December 2019 RMB million	2018 RMB million
Assets			
Non-current assets			
Property, plant and equipment	13	**239,925**	249,055
Right-of-use assets	15	**36,140**	–
Construction in progress	14	**12,263**	12,193
Deferred income tax assets	16	**1,199**	706
Long-term prepayments	15	**–**	13,216
Other non-current assets	18	**7,545**	8,395
		297,072	283,565
Current assets			
Trade and other receivables	19	**26,258**	19,158
Prepayments and other current assets	20	**8,514**	7,805
Cash and cash equivalents	21	**6,223**	4,836
		40,995	31,799
Total assets		**338,067**	315,364
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	22	**176,008**	176,008
Reserves	23	**6,551**	4,494
Total equity attributable to owners of the Company		**182,559**	180,502
Non-controlling interests		**2**	–
Total equity		**182,561**	180,502
Liabilities			
Non-current liabilities			
Borrowings	25(a)	**8,480**	19,064
Lease liabilities	15	**17,862**	–
Deferred revenue	26	**800**	1,039
		27,142	20,103
Current liabilities			
Borrowings	25(a)	**87,019**	79,946
Lease liabilities	15	**6,992**	–
Deferred consideration payables	33(c)(iii)	**–**	382
Accounts payable	27	**29,313**	30,591
Accrued expenses and other payables	28	**4,641**	3,263
Current income tax payable		**399**	577
		128,364	114,759
Total liabilities		**155,506**	134,862
Total equity and liabilities		**338,067**	315,364

The notes on pages 100 to 160 are an integral part of these consolidated financial statements.
The consolidated financial statements on pages 96 to 160 were approved by the Board of Directors on 18 March 2020 and were signed on its behalf:

TONG Jilu	**GU Xiaomin**
Name of Director	Name of Director

Consolidated Statement of Changes in Equity

		Attributable to owners of the Company								
	Note	Share Capital RMB million	Share Premium RMB million	Shares Held under Restricted Share Incentive Scheme RMB million	Share-based Compensation Reserves 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 2018		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
Change in accounting policy	2.2	–	–	–	–	(80)	(1,201)	(1,281)	–	(1,281)
Total equity at 1 January 2019 (restated)		176,008	3,694	–	–	–	(481)	179,221	–	179,221
Profit for the year		–	–	–	–	–	5,222	5,222	(1)	5,221
Other comprehensive income		–	–	–	–	–	–	–	–	–
Total comprehensive income for the year		–	–	–	–	–	5,222	5,222	(1)	5,221
Dividends paid	23(b)	–	–	–	–	–	(396)	(396)	–	(396)
Acquisition of own shares under restricted share incentive scheme	24	–	–	(1,735)	–	–	–	(1,735)	–	(1,735)
Employee share scheme–value of employee services	24	–	–	–	247	–	–	247	–	247
Capital contribution from non-controlling interests		–	–	–	–	–	–	–	3	3
Transfer to statutory reserves		–	–	–	–	475	(475)	–	–	–
Balance at 31 December 2019		176,008	3,694	(1,735)	247	475	3,870	182,559	2	182,561

The notes on pages 100 to 160 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

	Note	Year ended 31 December 2019 RMB million	2018 RMB million
Cash flows from operating activities			
Cash generated from operations	29(a)	**51,922**	45,757
Income tax paid		**(2,050)**	(465)
Interest income received		**63**	248
Net cash generated from operating activities		**49,935**	45,540
Cash flows from investing activities			
Purchase of property and equipment		**(27,798)**	(32,713)
Purchase of land use right and other non-current assets		**(437)**	(282)
Proceeds from disposal of property and equipment	29(b)	**99**	80
Payment for investment in associates		**–**	(8)
Net cash used in investing activities		**(28,136)**	(32,923)
Cash flows from financing activities	29(c)		
Proceeds from issue of H shares		**–**	51,165
Proceeds from borrowings (excluding short-term commercial papers)		**72,120**	165,530
Proceeds from short-term commercial papers	25(a)(iii)	**17,000**	–
Net proceeds from employees for restricted share incentive scheme	24	**1,139**	–
Capital contribution from non-controlling interests		**3**	–
Acquisition of shares for restricted share incentive scheme		**(1,735)**	–
Prepayment for acquisition of shares for employee share scheme		**(147)**	–
Repayments of borrowings		**(93,052)**	(205,889)
Dividends paid to the owners of Company		**(396)**	–
Payments of deferred consideration (including value-added tax) for acquisition of Towers Assets		**(382)**	(16,884)
Payments for listing expenses		**(89)**	(724)
Interest paid for borrowings		**(3,654)**	(8,832)
Payments of lease liabilities (including principal and interest)		**(11,219)**	–
Net cash used in financing activities		**(20,412)**	(15,634)
Net increase/(decrease) in cash and cash equivalents		**1,387**	(3,017)
Cash and cash equivalents at beginning of year		**4,836**	7,852
Effect of changes in foreign exchange rates on cash and cash equivalents		**–**	1
Cash and cash equivalents at end of year		**6,223**	4,836

Significant non-cash transactions:

For the additions of construction in progress, the Group recorded accounts payables of approximately RMB19,856 million to equipment and construction suppliers as at 31 December 2019 (31 December 2018: RMB21,989 million).

The Group recorded an addition of right-of-use assets (with the corresponding of lease liabilities) amounting to approximately RMB10,447 million for the year ended 31 December 2019.

The notes on pages 100 to 160 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

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.

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 subsidiaries (together, the "Group") are 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"), other trans-sector site application and information services ("TSSAI business") and energy operation 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 has 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 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.

The preparation of 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 2019, the Group's current liabilities exceeded its current assets by RMB87,369 million (31 December 2018: RMB82,960 million).

Given the current economic conditions and based on the Group's future operating plans and the expected levels of capital 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 RMB156,957 million as at 31 December 2019; and
- Other available sources of financing from domestic banks and other financial institutions.

Based on management's operating and financial plans, the directors of the Company are of the opinion that the Group has adequate funds to continue its operations and to repay its debts when they fall due, and thus concluded that the Group will be able to meet its obligations for the twelve months after 31 December 2019. 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 New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

	New standards, amendments and interpretations
IFRS 16	Leases
Amendment to IFRS 9	Prepayment features with negative compensation
Amendment to IAS 28	Long term interests in associates and joint ventures
Amendments to IAS 19	Employee benefits or plan amendment, curtailment or settlement
Amendments to IFRS	Annual Improvements to IFRSs 2015-2017 Cycle
IFRIC 23	Uncertainty over income tax treatments

The Group had to change its accounting policies as a result of adopting IFRS 16. The Group has adopted the IFRS 16 on 1 January 2019 and has not restated comparative amounts for the year prior to the first adoption (as permitted under the specific transitional provisions of the new standard), with the cumulative effect of initial adoption recognised as an adjustment to the retained earnings of the opening balance sheet on 1 January 2019. This is disclosed in Note 2.2. All of the other amendments listed above did not have any material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2.1.3 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 2020 or later periods, but the Group has not early adopted them:

	New standards, amendments and interpretations	Published date	Effective date
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
Amendments to the IAS Conceptual framework	Conceptual framework	March 2018	Annual periods beginning on or after 1 January 2020
Amendments to IFRS 9 and IFRS 7	Interest rate benchmark reform	September 2019	Annual periods beginning on or after 1 January 2020
Amendments to IAS 1	Classification of liabilities as current or non current	January 2020	Annual periods beginning on or after 1 January 2022

None of these IFRS is expected to have a significant effect on the financial information of the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Change in accounting policy

As indicated in Note 2.1.2 above, the Group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in Note 2.21.

The Group mainly leases land and buildings and site properties for telecommunication towers as lessee. On the adoption of IFRS 16, the Group recognises right-of-use assets and lease liabilities for almost all leases, except for short-term leases and low-value leases in the balance sheet, records depreciation & amortisation and finance cost accordingly. The Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rates as of 1 January 2019. The lessee's incremental borrowing rates applied to the lease liabilities were 3.76% to 4.47% per annum. Right-of-use assets are measured on transition as if the new rules have had always been applied.

(a) Practical expedients applied for transition

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

(b) Measurement of lease liabilities

The reconciliation between the operating lease commitments disclosed as at 31 December 2018 and the lease liabilities recognised as at 1 January 2019 are as follows:

	RMB million
Operating lease commitments disclosed as at 31 December 2018	30,105
(Less): Short-term leases and low-value leases recognised on a straight-line basis as expense	(55)
Discounting impact using the Group's incremental borrowing rate at the date of initial application	(5,488)
Lease liabilities recognised as at 1 January 2019	24,562
Of which are:	
Current lease liabilities	2,970
Non-current lease liabilities	21,592

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Change in accounting policy (Continued)

(c) Measurement of right-of-use assets

The right-of-use assets were measured on a retrospective basis as if the new rules had always been applied.

(d) Adjustments recognised in the balance sheet on 1 January 2019

The change in accounting policy affected the following items in the consolidated balance sheet on 1 January 2019:

- long-term prepayments – decrease by RMB13,216 million
- right-of-use assets – increase by RMB36,112 million
- deferred tax assets – increase by RMB385 million
- lease liabilities – increase by RMB24,562 million

In addition, the Group's retained earnings and statutory reserves as at 1 January 2019 decreased by RMB1,201 million and RMB80 million respectively.

Due to the application of IFRS 16 on 1 January 2019, the depreciation of right-of-use assets was presented in the "Depreciation and amortisation", and lease payment relating to short-term leases and low-value leases was primarily presented in the "Site operating lease charges"; while in the year ended 31 December 2018, all of such operating lease payment made under IAS 17 was presented as "Site operating lease charges".

(e) Lessor accounting

The Group continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently which is same as IAS 17. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard. The previous accounting policy for lease was disclosed in Note 2.21.

2.3 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Principles of consolidation and equity accounting (Continued)

(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. Equity method of accounting is applied for its investments in associates. 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.

2.4 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 directors and senior management (includes two vice-presidents and the chief finance officer, the "CFO").

2.5 Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the group entities are measured using the currency of the primary economic environment in which the entity 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Foreign currency translation (Continued)

Transactions and balances (Continued)

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 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 recognised 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 derecognised. 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.

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.

2.7 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.

2.8 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2019 and 2018, 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.

2.9.3 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 receivables

Trade 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 from the date of billing and therefore are all classified as current.

Trade 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 the granted credit period. 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.

2.14 Borrowings

The Group's borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings 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.

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 are removed from the consolidated balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

Borrowings 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

(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 operate and generate 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 liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

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.

The Group considers that the assets and liabilities arising from the lease are generated in a single transaction, therefore, the Group applies IAS 12 "Income Taxes" requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis.

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)

2.17 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 is 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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Employee benefits (Continued)

(c) Share-based payment

The Group provides share-based compensation benefits to employees via its restricted share incentive scheme, which is managed under a Trust. Information relating to the scheme is set out in Note 24.

The fair value of restricted shares granted to employees under the scheme is recognised as an expense over the vesting period when employee services received, with a corresponding credit to equity. The total amount to be expensed is determined by reference to the fair value of the granted restricted shares:

- including any market performance conditions (e.g. the entity's share price)
- excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period), and
- including the impact of any non-vesting conditions (e.g. the requirement for employees to save or hold shares for a specific period of time).

At the end of each reporting period, the Group revises its estimates of the number of restricted shares that are expected to be vested. The impact of the revision of the original estimates, if any, is recognised in profit or loss, with a corresponding adjustment to equity. Upon vesting, the Trust transfers the appropriate number of shares to employee.

(d) 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 2019 and 2018, 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, the TSSAI business and the energy operation business. During the years ended 31 December 2019 and 2018, 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, the TSSAI business and the energy operation 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 tower site space to the Three TSPs for installation of their telecommunications equipment.

  (ii) Maintenance services

  The maintenance services includes providing shelters or cabinets, and ancillary equipment capacity to the Three TSPs for meeting operating requirements of their telecommunications equipment, 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 for 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 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 operations, to satisfy customers' requirements of collecting, transmission or application of data information.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Revenue (Continued)

- ***Energy operation business***

  The Group's backup power services is to provide standby emergency power supply to corporate customers when there is loss of normal power supply/unexpected power outage. Contract with customers are usually fixed price and are entered into on annual/quarter basis. The Group also provides battery recharge services to corporate and individual customers on ad hoc basis when their batteries are exhausted and is charged on fixed price per usage basis.

The Company entered into the Commercial Price Agreements, their supplemental 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.

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 not based on index or rate should be recognised as revenue as incurred. The Group recognises revenue for the Maintenance services, Power services, the DAS services and others when these services are rendered.

TSSAI business 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.

Energy operation business mainly represents a series of service and accounted for as single performance obligation. Management determines the measurement of progress that best depicts the transfer of goods or services to the customers. In this regard, revenues for back up power services are recognised on straight-line basis over the contract period as it is a stand-ready obligation to deliver unlimited quantity of good or service as needed. Revenues for battery recharge services are recognised when the service is 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 principal, revenue will be recognised at net amounts.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Interest income

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

2.21 Leases

As explained in Note 2.2 above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in Note 2.2.

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.

Until 31 December 2018, leases of property, plant and equipment where the Group, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in other short-term and long-term payables. Each lease payment was allocated between the liability and finance cost. The finance cost was charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases was 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 were not transferred to the Group as lessee were classified as operating leases (See Note 31). Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

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

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Leases (Continued)

The Group as lessee (Continued)

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

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

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

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

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. Contingent rents are recognised as incurred. The respective leased assets are included in the consolidated balance sheet based on their nature.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(a) 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, adjusted for bonus elements in ordinary shares issued during the year and excluding the unvested shares held under restricted shares incentive scheme.

(b) 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.

(a) Market risk

(i) Foreign exchange risk

The Group is exposed to foreign exchange risk for its cash and bank deposits denominated in foreign currencies, while the functional currencies of the respective group entity is RMB. As at 31 December 2019, the Group's cash and bank deposits denominated in foreign currencies represented 1.5 % (31 December 2018: 3.2%) of the total cash and bank deposits thus, the Group does not expect the appreciation or depreciation of the RMB against foreign currencies 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.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Interest rate risk (Continued)

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 2019, the Group's borrowings at variable rates amounted to RMB28,288 million (31 December 2018: RMB46,050 million).

During the years ended 31 December 2019 and 2018, the Group has no position in interest rate swap. For the year ended 31 December 2019, 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 RMB46 million (2018: RMB56 million) for borrowings at variable rates.

(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 92.1% of the Group's total trade receivable balances at 31 December 2019 (31 December 2018: 94.9%). To mitigate this credit risk, the Group timely monitors its receivable balances and all bills should be paid within one to three months as 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 include local government authorities and public institutions, state-owned companies and other customer groups. The Group regularly monitors their credit records and takes necessary actions to reduce and control the overall credit risk, such as sending written notice for payment, getting payment guarantee (such as requiring deposits) and shortening or cancelling credit period.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

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 considered:

- 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 and historical credit loss experience

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.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before the reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group identifies the most relevant factors, such as the economic environment, the GDP of the country in which it operates, and accordingly adjusts the historical loss rates based on expected changes in these factors. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition.

To measure the expected credit losses, trade receivables and other receivables have been grouped by amounts due from the Three TSPs, local government authorities and public institutions, state-owned companies and other customer groups based on similar credit risk characteristics and aging.

The expected loss rate of trade receivables and other receivables from the Three TSPs, local government authorities and public institutions arising from the ordinary course of business are assessed to be low, because of the debtor's good background and reputation and no past 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 2019 and 2018.

(Expressed in RMB unless otherwise indicated)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

The expected loss rate as at 31 December 2019 and 2018 was determined as follows for trade receivables and other receivables due from state-owned companies and other customer groups:

State-owned companies and other customer groups	Within 180 days	181 days to 270 days	271 days to 1 year	1 year to 2 years	Over 2 years
As at 31 December 2019					
Expected loss rate	**1%**	**10%**	**20%**	**60%**	**100%**
As at 31 December 2018					
Expected loss rate	1%	10%	20%	60%	100%

Impairment losses on trade receivables and other receivables is presented as credit loss allowance within other operating expenses (See Note 8). Subsequent recoveries of amounts previously written off are credited against the same line item.

(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 2019, the Group holds cash and cash equivalents of RMB6,223 million (31 December 2018: RMB4,836 million) respectively to manage liquidity risk.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

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.

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
As 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
As at 31 December 2019						
Borrowings	**95,499**	**98,443**	**89,056**	**2,336**	**6,574**	**477**
Accounts payable and other payables excluding non-financial liabilities	**31,538**	**31,538**	**31,538**	**–**	**–**	**–**
Lease liabilities	**24,854**	**31,334**	**9,824**	**5,056**	**9,946**	**6,508**
	151,891	**161,315**	**130,418**	**7,392**	**16,520**	**6,985**

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 in the PRC, 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 interest-bearing liabilities (including borrowings, deferred consideration payables and lease liabilities 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	
	2019	**2018**
	RMB million	**RMB million**
Interest-bearing liabilities (Note 15 and Note 25)	**120,353**	99,392
Less: cash and cash equivalents (Note 21)	**(6,223)**	(4,836)
Net debt(1) (Note 29 (c))	**114,130**	94,556
Total equity	**182,561**	180,502
Total capital(2)	**296,691**	275,058
Gearing ratio(1)/(2)	**38.5%**	34.4%

3.3 Fair value estimation

As at 31 December 2019 and 2018, 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 2019 and 2018, 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.

(b) Taxation

The Group is mainly 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 recognises 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 recognised based on the Group's estimates and assumptions that they will be recovered from taxable income arising from continuing operations in the foreseeable future.

(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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.1 Critical accounting estimates and assumptions (Continued)

(c) Impairment of property, plant and equipment (Continued)

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.

(d) Allowance for expected credit losses

Management estimates expected credit loss allowance on trade and other receivables using a provision matrix based on assumptions about risk of default and expected loss rates. The Group assesses these assumptions and selects the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at each balance sheet date. For the Group's detailed assessment of credit risk please refer to Note 3.1(b).

4.2 Critical accounting judgement

Classification of leases

As a lessor, the Group classifies its leases into either finance leases or operating 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 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 directors and senior management, as a decision making group has been identified as the Group's chief operating decision-maker ("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 reviewed the performance from revenue stream prospective and has identified Tower business, DAS business, TSSAI business and energy operation business as its operating segments. As more than 90% of the revenue generated from Tower business and due to the similarity of the economic characteristics, all of these operating segments were aggregated and treated as a single reportable segment.

All of the Group's long-lived assets are mainly located in the mainland China and all the Group's revenue and operating profit are mainly 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	
	2019	2018
	RMB million	RMB million
Tower business (Note (i))		
– Macro cell business	**70,748**	68,191
– Small cell business	**658**	406
	71,406	68,597
DAS business	**2,658**	1,819
TSSAI business	**1,887**	1,222
Energy operation business	**193**	–
Others	**284**	181
	76,428	71,819

Note:

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

	Year ended 31 December	
	2019	2018
	RMB million	RMB million
Revenue from the provision of Site Space	**60,380**	57,722
Revenue from Services*	**11,026**	10,875
	71,406	68,597

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

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	
	2019	2018
	RMB million	RMB million
China Mobile Company and its subsidiaries	**39,915**	38,919
China Unicom Corporation	**16,703**	15,764
China Telecom	**17,767**	16,056
	74,385	70,739

For the year ended 31 December 2019, the revenue generated from the Three TSPs accounted for 97.33% (2018: 98.50%) of the total revenue.

7 EMPLOYEE BENEFITS AND EXPENSES

	Year ended 31 December	
	2019	2018
	RMB million	RMB million
Salaries and welfare	**4,234**	3,715
Retirement benefits (Note)	**703**	637
Contributions to medical insurance	**367**	311
Contributions to housing fund	**312**	254
Share incentive expenses (Note)	**247**	–
	5,863	4,917

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 full-time employees in the PRC at 14% to 20% (subject to caps) of the eligible salaries of its employees on a monthly basis for the years ended 31 December 2019 and 2018. 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. Other than the above, the Group also participates in supplementary defined contribution retirement plans managed by independent insurance company whereby the Group is required to make contributions to the retirement plans at fixed rates of the employees' salary costs and in accordance with the terms of the plan, on a contractual and voluntary basis. The Group has no other material obligation for the payment of pension benefits associated with this supplementary plans beyond the annual contributions described above.

The Group has no other retirement and post-retirement benefits of employees during the years ended 31 December 2019 and 2018.

At the Company's 2018 Annual General Meeting 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. The fair value of restricted shares granted to employees as at grant date under the Scheme is recognised as an expense over the vesting period when employee services received, with a corresponding credit to equity (See Note 24 for details).

7 EMPLOYEE BENEFITS AND EXPENSES (Continued)

(a) Directors' and supervisors' remuneration

Directors' and supervisors' remuneration during 2019 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 directors				
TONG Jilu (Note (ii))	–	950	217	1,167
GU Xiaomin (Note (iii))	–	329	115	444
	–	1,279	332	1,611
Non-executive directors (Note (i))				
DONG Xin	–	–	–	–
SHAO Guanglu (Note (iv))	–	–	–	–
ZHANG Zhiyong	–	–	–	–
	–	–	–	–
Independent non-executive directors				
SU Li (Note (v))	10	–	–	10
FAN Cheng	60	–	–	60
TSE Yunghoi	152	–	–	152
	222	–	–	222
Supervisors				
LI Wenmin	–	949	214	1,163
WANG Hongwei	–	969	205	1,174
GAO Lingling (Note (i))	–	–	–	–
GUO Xiaolin (Note (i))	–	–	–	–
SUI Yixun (Note (i))	–	–	–	–
LI Tienan (Note (i) (vi))	–	–	–	–
WANG Zhixue (Note (i)(vi))	–	–	–	–
	–	1,918	419	2,337

7 EMPLOYEE BENEFITS AND EXPENSES (Continued)

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

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 (ii))	–	800	161	961
Non-executive directors (Note (i))				
DONG Xin	–	–	–	–
SHAO Guanglu (Note (iv))	–	–	–	–
ZHANG Zhiyong	–	–	–	–
LIU Aili	–	–	–	–
WANG Lei	–	–	–	–
ZHAO Fang	–	–	–	–
LI Zhangting	–	–	–	–
SUN Kangmin	–	–	–	–
SI Furong	–	–	–	–
MO Dewang	–	–	–	–
	–	–	–	–
Independent non-executive directors				
SU Li (Note (v))	–	–	–	–
FAN Cheng	40	–	–	40
TSE Yunghoi	100	–	–	100
	140	–	–	140
Supervisors				
LI Wenmin	–	578	109	687
WANG Hongwei	–	541	105	646
Ke Ruiwen (Note (i))	–	–	–	–
GAO Lingling (Note (i))	–	–	–	–
GUO Xiaolin (Note (i))	–	–	–	–
SUI Yixun (Note (i))	–	–	–	–
WANG Zhixue (Note (i)(vi))	–	–	–	–
	–	1,119	214	1,333

7 EMPLOYEE BENEFITS AND EXPENSES (Continued)

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

Note:

(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) Mr. TONG Jilu resigned from his position as the general manager of the Company on 10 June 2019, but continued serving as the chairman of the board and an executive director.

(iii) Mr. GU Xiaomin was appointed as the general manager of the Company on 10 June 2019, and was appointed as the executive director with effect from 31 July 2019.

(iv) Mr. SHAO Guanglu resigned from position as non-executive director of the Company with effect from 6 March 2020.

(v) Mr. SU Li resigned from position at the other company effective from October 2019 and started to be compensated for director's fee from November 2019, and resigned from the position as independent non-executive directors with effect from 10 January 2020.

(vi) Mr. WANG Zhixue resigned from the position as the supervisor of the Company with effect from 16 July 2019 and Mrs. LI Tienan was appointed as the supervisor of the Company with effect from 31 July 2019.

(vii) 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 2019 (2018: RMB90 thousand) was paid to Mr. TONG Jilu by the Company for his past performance.

(viii) The remuneration of all directors and supervisors was calculated based on their respective actual terms of office within this year.

(b) Senior management's remuneration

The senior management of the Group had five members. For the year ended 31 December 2019, two of them were directors whose remuneration is disclosed in Note 7(a).

The emoluments fell within the following bands:

	Year ended 31 December	
	2019	2018
Emolument bands (in RMB)	**Numbers**	Numbers
RMB1,000,001 to RMB1,500,000	**3**	–
RMB Nil to RMB1,000,000	**2**	5

7 EMPLOYEE BENEFITS AND EXPENSES (Continued)

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group in 2019 include Nil (2018: Nil) director whose emoluments are reflected in the analysis shown in Note 7(a). The emoluments payable to the remaining 5 (2018: 5) individuals in 2019 are as follows:

	Year ended 31 December	
	2019	2018
	RMB thousand	RMB thousand
Salaries, allowances and bonuses	**7,169**	4,702
Social insurance, housing fund and retirement scheme	**1,069**	1,199
	8,238	5,901

The emoluments fell within the following bands:

	Year ended 31 December	
	2019	2018
Emolument bands (in RMB)	**Numbers**	Numbers
RMB2,000,001 to RMB2,500,000	**1**	–
RMB1,500,001 to RMB2,000,000	**1**	–
RMB1,000,001 to RMB1,500,000	**3**	5

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, technical support charges, property management expenses and utilities, other taxes and surcharges (excluding value-added tax and income tax), credit loss allowance, professional fees and other miscellaneous expenses (such as travelling and communications expenses).

	Year ended 31 December	
	2019	2018
	RMB million	RMB million
Power generation charges (Note)	**1,857**	1,990
Site operation and support expenses (Note)	**1,768**	1,968
Losses on write-off/disposal of property and equipment	**919**	843
Technical support charges	**780**	324
Property management expenses and utilities	**396**	645
Other taxes and surcharges	**187**	164
Auditors' remuneration	**9**	8
Credit loss allowance	**395**	–

Note:

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

Site operation and support expenses are expenditures paid to third-party suppliers 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	
	2019	2018
	RMB million	RMB million
Exchange (loss)/gain	**(12)**	94
Gain on early termination of lease contracts	**33**	–
Others (Note)	**133**	59
	154	153

Note: Others primarily comprise government grants, and other miscellaneous non- operating gains.

10 FINANCE COSTS

	Year ended 31 December	
	2019	2018
	RMB million	RMB million
Interest expense on borrowings	**3,472**	5,641
Interest expense on lease liabilities	**1,329**	–
Interest expense on deferred consideration payables	**–**	530
Less: Amounts capitalised in CIP (Note)	**(140)**	(164)
	4,661	6,007

Note: The interest rate range of amounts capitalised in CIP in 2019 are 3.68%-3.90% per annum (2018: 4.11%-4.38% 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	
	2019	2018
	RMB million	RMB million
Current tax		
Current tax on estimated taxable profits for the year	**1,724**	842
Deferred tax (Note 16)		
Origination of temporary differences	**(108)**	(17)
Income tax expenses	**1,616**	825

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	
	2019	2018
	RMB million	RMB million
Profit before taxation	**6,837**	3,475
Tax at PRC statutory tax rate of 25%	**1,709**	869
Rate differential of certain provincial branches of the Group (Note)	**(111)**	(50)
Tax effect of non-deductible expenses	**18**	6
Income tax expenses	**1,616**	825

Note:

The Company's PRC statutory income tax rate is 25%. According to the circular of "Deeply Implementation of the western development strategy taxation policy" (Caishui [2011] No.58) issued by the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs of the PRC and relevant PRC enterprise income tax regulations, entities/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 in 2017 and were entitled to this preferential income tax rate of 15% until 2020.

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

	Year ended 31 December	
	2019 (Note)	2018
Profit attributable to owners of the Company (RMB million)	**5,222**	2,650
Weighted average number of ordinary shares in issue (million)	**175,643**	148,492
Basic earnings per share (in RMB Yuan)	**0.0297**	0.0179

Note: On 18 April 2019, the shareholders of the Company approved the adoption of a restricted share incentive scheme. During the year ended 31 December 2019, 1,053 million shares were acquired by a trustee (the "Trustee") from the secondary market (Note 24) (2018: 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 which were not achieved as of 31 December 2019, restricted shares granted to employees were not included in the calculation of diluted earnings per share for the year ended 31 December 2019.

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 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
Year ended 31 December 2019					
Cost:					
Opening balance	**2,345**	**280,064**	**60,783**	**900**	**344,092**
Transfer from CIP	**1,007**	**14,322**	**8,714**	**46**	**24,089**
Additions	**1,186**	**107**	**261**	**103**	**1,657**
Disposals	**–**	**(2,064)**	**(625)**	**(24)**	**(2,713)**
Closing balance	**4,538**	**292,429**	**69,133**	**1,025**	**367,125**
Accumulated depreciation:					
Opening balance	**(64)**	**(68,545)**	**(26,148)**	**(280)**	**(95,037)**
Charge for the year	**(90)**	**(23,166)**	**(10,446)**	**(156)**	**(33,858)**
Disposals	**–**	**1,271**	**407**	**17**	**1,695**
Closing balance	**(154)**	**(90,440)**	**(36,187)**	**(419)**	**(127,200)**
Closing net book amount	**4,384**	**201,989**	**32,946**	**606**	**239,925**

Note: Some sites with towers and ancillary facilities have incomplete legal titles, 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 2019 RMB million	As at 31 December 2018 RMB million
Balance at 1 January	**12,193**	10,930
Additions	**24,159**	23,860
Transferred to property, plant and equipment	**(24,089)**	(22,597)
Balance at 31 December	**12,263**	12,193

15 LEASE

(a) The consolidated balance sheet shows the following amounts relating to leases where the Group is a lessee:

	Sites and premises RMB million	Land use rights RMB million	Total RMB million
Right-of-use assets (Note):			
As at 1 January 2019	**55,326**	**957**	**56,283**
Additions	**11,497**	**156**	**11,653**
Termination and modification of lease contracts	**(3,292)**	**–**	**(3,292)**
As at 31 December 2019	**63,531**	**1,113**	**64,644**
Accumulated depreciation:			
As at 1 January 2019	**(20,090)**	**(81)**	**(20,171)**
Charge for the year	**(11,355)**	**(38)**	**(11,393)**
Termination and modification of lease contracts	**3,060**	**–**	**3,060**
As at 31 December 2019	**(28,385)**	**(119)**	**(28,504)**
Closing net book amount:			
As at 1 January 2019	**35,236**	**876**	**36,112**
As at 31 December 2019	**35,146**	**994**	**36,140**

15 LEASE (Continued)

(a) The consolidated balance sheet shows the following amounts relating to leases where the Group is a lessee: (Continued)

	As at 31 December 2019 RMB million	As at 1 January 2019 RMB million
Lease Liabilities		
– Current	**6,992**	2,970
– Non-current	**17,862**	21,592
	24,854	24,562

Note:

Land use rights and prepayments for site ground lease amounting to RMB13,216 million in total, which previously recorded as "Long-term prepayments" as at 31 December 2018, were reclassified to "Right-of-use assets" on 1 January 2019 upon the adoption of IFRS 16.

(b) The consolidated statement of comprehensive income shows the following amounts relating to leases where the Group is a lessee:

	Year ended 31 December 2019 RMB million
Depreciation charge of right-of-use assets	**11,393**
Interest expense	**1,329**
Expense relating to short-term leases and low-value leases	**795**

(c) The total cash outflow for lease liabilities for the year ended 31 December 2019 was RMB11,219 million.

(d) The Group's leasing activities:

The Group mainly leases premises and site properties for telecommunication towers (as lessee). Rental contracts of premises and site properties are typically made for periods of 3 to 10 years, and do not generally have extension and termination options. Lease terms are negotiated on an individual/group basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. Substantially all of the rental contracts held by the Group are with fixed lease payment, and do not contain residual value guarantee terms.

The remaining useful life of land use rights is generally 10 to 30 years.

16 DEFERRED INCOME TAX ASSETS

The analysis of deferred tax assets is as follows:

	As at 31 December 2019 RMB million	As at 31 December 2018 RMB million
Deferred tax assets:		
– Deferred tax asset to be recovered after more than 12 months	**502**	–
– Deferred tax asset to be recovered within 12 months	**697**	706
	1,199	706

The movement in deferred income tax assets during the years ended 31 December 2019 and 2018 are as follows:

	Accrued expenses RMB million	**Deferred revenue** RMB million	**Credit loss allowance** RMB million	**Tax impact of lease accounting under IFRS16** RMB million	**Restricted share incentive scheme** RMB million	**Total** RMB million
Deferred tax assets arising from:						
At 31 December 2017	679	10	–	–	–	689
Credited to profit or loss	9	8	–	–	–	17
Charged to other comprehensive income	–	–	–	–	–	–
Credited directly to equity	–	–	–	–	–	–
At 31 December 2018	688	18	–	–	–	706
Adjustment on adoption of IFRS 16 (see Note 2.2)	**–**	**–**	**–**	**385**	**–**	**385**
At 1 January 2019 (Restated)	**688**	**18**	**–**	**385**	**–**	**1,091**
(Charged)/credited to profit or loss	**(106)**	**1**	**95**	**56**	**62**	**108**
Charged to other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**
Credited directly to equity	**–**	**–**	**–**	**–**	**–**	**–**
At 31 December 2019	**582**	**19**	**95**	**441**	**62**	**1,199**

For the years ended 31 December 2019 and 2018, there were no unrecognised deferred tax assets in respect of the deductible temporary differences and unused tax losses.

(Expressed in RMB unless otherwise indicated)

17 SUBSIDIARIES

As at 31 December 2019, the details of the Company's subsidiaries are:

Name of company	Place of incorporation and kind of legal entity	Particulars of issued and paid up capital	Ownership interests held by the Company	Principal activity
Southeast Asia Tower Company Limited (Note (i))	The Lao People's Democratic Republic; Limited liability company	USD 1.05 million	70%	Telecommunication tower infrastructure business
Smart Tower Corporation Limited (Note (ii))	The People's Republic of China; Limited liability company	–	100%	Integrated information services
Energy Tower Corporation Limited (Note (ii))	The People's Republic of China; Limited liability company	RMB 50.20 million	100%	Power generation and energy storage services

Note:

(i) In November 2018, the Company established Southeast Asia Tower Co., Ltd ("SA Tower") together with other two local investors in The Lao People's Democratic Republic. SA Tower's registered capital is USD1.5 million. The Company has paid USD1.05 million to SA Tower and owned 70% equity interests in SA Tower.

SA Tower mainly engages in the provision of telecommunication tower infrastructure services in Southeast Asia.

As of and for the year ended 31 December 2019, the non-controlling interests in the above subsidiary was not material to the consolidated financial statements of the Group.

(ii) In June 2019, the Company set up Smart Tower Corporation Limited (鐵塔智聯技術有限公司"Smart Tower") and Energy Tower Corporation Limited (鐵塔能源有限公司, "Energy Tower"), with registered capital of RMB1,000 million and RMB5,000 million respectively.

Smart Tower mainly engages in integrated information services and Energy Tower mainly engages in power generation and energy storage services. For the year ended 31 December 2019, the above subsidiaries did not have any significant operations.

For the year ended 31 December 2019, the Company has not paid any capital to Smart Tower.

18 OTHER NON-CURRENT ASSETS

	As at 31 December 2019 RMB million	As at 31 December 2018 RMB million
Input VAT recoverable – non-current portion (Note (i))	**7,170**	8,175
Others (Note (ii))	**375**	220
	7,545	8,395

Note:

(i) 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. Input VAT recoverable mainly represents the input VAT carried forward from the acquisition of Tower Assets from Three TSPs in 2015 (see Note 1). 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.

(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 in an associate of the Group, Hangzhou Internet of Things Intelligence Industry Corporation Limited ("Hangzhou IOT", a limited liability company established in the PRC), with a carrying amount of RMB6 million. As at 31 December 2019, the Group held 40% equity interests of Hangzhou IOT. This associate of the Group 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 2019 RMB million	As at 31 December 2018 RMB million
Trade receivables (Note (a))	**21,289**	13,534
Less: Credit loss allowance	**(395)**	–
Trade receivables- net	**20,894**	13,534
Deposits (Note (b)(i))	**758**	682
Payments on behalf of customers (Note (b)(ii))	**4,605**	4,941
Others	**1**	1
Other receivables	**5,364**	5,624
Trade and other receivables	**26,258**	19,158

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

19 TRADE AND OTHER RECEIVABLES (Continued)

(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 2019 RMB million	As at 31 December 2018 RMB million
Up to 3 months	**16,168**	13,303
3 to 6 months	**3,449**	102
Over 6 months	**1,672**	129
	21,289	13,534

Trade receivables are analysed by customers:

	As at 31 December 2019 RMB million	As at 31 December 2018 RMB million
China Mobile Company and its subsidiaries	**10,818**	7,580
China Unicom Corporation	**3,696**	2,380
China Telecom	**5,099**	2,888
Others	**1,676**	686
	21,289	13,534

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 the expected credit losses of corresponding receivables from initial recognition.

19 TRADE AND OTHER RECEIVABLES (Continued)

(b) Other receivables

(i) Deposits primarily include deposits for site ground lease, office premises lease, 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, good reputation and credit history of these customers, management considers that the expected credit loss is immaterial, therefore no credit loss allowance has been made for the years ended 31 December 2019 and 2018.

20 PREPAYMENTS AND OTHER CURRENT ASSETS

	As at 31 December 2019 RMB million	As at 31 December 2018 RMB million
Advance prepayments (Note (a))	**3,112**	2,454
Input VAT recoverable – Current portion (Note 18(i))	**5,394**	5,351
Others (Note (b))	**8**	–
	8,514	7,805

Note:

(a) As at 31 December 2019, advance payment mainly represents prepaid rentals to the lessor for short-term leases and low-value leases under IFRS 16, and prepayment of electric powers charges of certain tower sites.

(b) Others mainly include inventory such as battery.

21 CASH AND CASH EQUIVALENTS

	As at 31 December 2019 RMB million	As at 31 December 2018 RMB million
Cash at bank and on hand		
–RMB	**6,132**	4,683
–HKD	**91**	153
	6,223	4,836

The cash at bank and on hand are substantially denominated in RMB. The weighted average effective interest rate ranges from 0.36% to 1.53% per annum for the year ended 31 December 2019 (2018: 0.24% to 1.51%).

22 SHARE CAPITAL

Registered, issued and fully paid:

	Year ended 31 December			
	2019		2018	
	Number of ordinary shares (million)	**Share capital (RMB million)**	Number of ordinary shares (million)	Share capital (RMB million)
At beginning of year	**176,008**	**176,008**	129,345	129,345
Shares issued in current year	**–**	**–**	46,663	46,663
At end of year (RMB1.00, par value)	**176,008**	**176,008**	176,008	176,008

23 RESERVES AND DIVIDENDS

(a) Movements in reserves

	Note	Share premium RMB million	Statutory reserves RMB million (Note)	Shares held under restricted share incentive scheme RMB million	Share-based compensation reserves RMB million	Retained earnings RMB million	Total RMB million
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		3,694	–	–	–	–	3,694
Transfer to PRC statutory reserves		–	80	–	–	(80)	–
As at 31 December 2018		3,694	80	–	–	720	4,494
Change in accounting policy	2.2	–	(80)	–	–	(1,201)	(1,281)
As at 1 January 2019 (restated)		3,694	–	–	–	(481)	3,213
Total comprehensive income for the year		–	–	–	–	5,222	5,222
Acquisition of own shares under restricted share incentive scheme	24	–	–	(1,735)	–	–	(1,735)
Dividends paid		–	–	–	–	(396)	(396)
Employee share scheme–value of employee services		–	–	–	247	–	247
Transfer to PRC statutory reserves		–	475	–	–	(475)	–
As at 31 December 2019		3,694	475	(1,735)	247	3,870	6,551

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 cover 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.

23 RESERVES AND DIVIDENDS (Continued)

(b) Dividends

(i) Ordinary shares:

	Year ended 31 December 2019 RMB million	2018 RMB million
Ordinary shares:		
Final dividend for the year ended 31 December 2018 of RMB0.00225 per ordinary share	**396**	–

(ii) Dividends not recognised at the end of reporting period:

On 18 March 2020, the Board of Directors of the Company proposed the payment of a final dividend of RMB0.01455 per ordinary share to the shareholders for the year ended 31 December 2019, totalling approximately RMB2,561 million. As the ordinary final dividend is declared after the balance sheet date, such dividend is not recognised as liability as at 31 December 2019.

	Year ended 31 December 2019 RMB million	2018 RMB million
Dividends not recognised at the end of reporting period:		
Proposed final dividend after the balance sheet date: RMB0.01455 (2018: RMB0.00225) per ordinary share	**2,561**	396

24 RESTRICTED SHARE INCENTIVE SCHEME

At the Company's 2018 Annual General Meeting on 18 April 2019, the shareholders of the Company approved the adoption of a restricted share incentive 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). During the lock-up period, the shares granted to the Scheme Participants shall not possess the right of disposal, such that the shares shall not be transferred, used as collateral or used for debt repayment. 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 meet and the Scheme Participants are still in employment with the Company.

24 RESTRICTED SHARE INCENTIVE SCHEME (Continued)

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 the same date by the Board (the "First Grant Date") at the grant price of RMB1.03 per share. On 19 December 2019 (the "Second Grant Date"), 93 million shares were granted at the grant price of RMB1.03 per share. The fair value of the shares granted on First Grant Date and the Second Grant Date were determined as RMB0.85 per share and RMB0.53 per share, respectively. During the year ended 31 December 2019, 1,205 million restricted shares were granted in total, of which 6 million restricted shares were forfeited subsequently.

	Weighted Average Fair Value (per share) RMB	Number of Restricted Shares Granted Million
As at 1 January 2019	–	–
Granted during the year	0.83	1,205
Forfeited during the year	0.85	(6)
As at 31 December 2019	0.83	1,199

For the year ended 31 December 2019, share-based compensation of RMB247 million was recognised in the consolidated statement of comprehensive income, with a corresponding credit to the equity.

As instructed by the Board, the 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 vested in accordance with the provisions of the Scheme. Upon vesting, 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.

During the year ended 31 December 2019, the Trustee has acquired 1,053 million H shares at a total cash consideration of RMB1,735 million, which was debited to the equity of the Company.

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

	Year ended 31 December 2019	
	Number of shares (million)	Shares held under restricted share incentive scheme (RMB million)
Shares held under restricted share incentive scheme	1,053	1,735

As at 31 December 2019, amount of RMB1,139 million were received from the Scheme Participants and recorded under "Accrued expenses and other payables".

25 BORROWINGS

(a) Borrowings

	As at 31 December 2019 RMB million	As at 31 December 2018 RMB million
Borrowings:		
Long-term borrowings (Note (i))		
– General Borrowings	**3,788**	14,000
– Preferential Borrowings	**8,020**	9,390
	11,808	23,390
Less: Current portion	**(3,328)**	(4,326)
Balance presented in non-current liabilities:	**8,480**	19,064
Short-term borrowings:		
Short-term loans (Note (ii))	**66,550**	75,620
Long-term borrowings – Current portion	**3,328**	4,326
Short-term commercial papers (Note (iii))	**17,141**	–
Balance presented in current liabilities:	**87,019**	79,946

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 the PRC.

As at 31 December 2019, the carrying amount of the Preferential Borrowings amounted to RMB8,020 million (31 December 2018: RMB9,390 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 RMB3,788 million at 31 December 2019 with maturity of 3 to 5 years (31 December 2018: RMB14,000 million with maturity of 2 to 5 years).

For the year ended 31 December 2019, the effective interest rates of all long-term borrowings were 2.75% to 4.41% per annum (2018: 2.75% to 4.41% per annum).

(ii) As at 31 December 2019, short-term loans include loans from China Mobile Group Finance Co., Ltd. (a subsidiary of China Mobile Company) of RMB7,450 million (31 December 2018: RMB11,000 million). The remaining short-term loans are obtained from commercial banks in the PRC.

For the year ended 31 December 2019, all short-term loans are unsecured, which bear interest rates ranging from 3.70% to 3.92% per annum (2018: from 2.35% to 4.13% per annum).

25 BORROWINGS (Continued)

(a) Borrowings (Continued)

(iii) The Company publicly issued 2019 short-term commercial papers in the amount of RMB17,000 million in the China's Interbank Bond Market. The details of which are shown below:

Issue Date	Principle Amount (RMB million)	Paper titles	Period	Annual interest rate
24 July 2019	**3,000**	Tranche one of 2019 super short-term commercial paper	270 days	2.80%
28 August 2019	**4,000**	Tranche two of 2019 super short-term commercial paper	270 days	2.35%
29 August 2019	**4,000**	Tranche three of 2019 super short-term commercial paper	270 days	2.40%
16 September 2019	**4,000**	Tranche four of 2019 super short-term commercial paper	178 days	2.35%
18 September 2019	**2,000**	Tranche five of 2019 super short-term commercial paper	180 days	2.15%

The short-term commercial papers are unsecured.

The balance of short-term commercial papers as at 31 December 2019 included principle and related interest payable, amounted to RMB17,000 million and 141 million, respectively.

(b) The repayment schedule of the borrowings

As at 31 December 2019 and 2018, borrowings are repayable as follows:

	As at 31 December 2019 RMB million	As at 31 December 2018 RMB million
Within 1 year	**87,019**	80,328
Between 1 and 2 years	**2,127**	4,276
Between 2 and 5 years	**5,957**	13,518
Over 5 years	**396**	1,270
	95,499	99,392

(c) The carrying amounts and fair value of the long-term borrowings

The carrying values of the long-term borrowings 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 2019 and 2018. They are within level 3 of the fair value hierarchy.

26 DEFERRED REVENUE

Deferred revenue mainly represents the government grants obtained by the Group including the interest subsidy associated with the Preferential Borrowings (see Note 25(a)(i)).

27 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 2019 RMB million	As at 31 December 2018 RMB million
Less than six months	**20,250**	25,722
Six months to one year	**4,548**	3,560
More than one year	**4,515**	1,309
	29,313	30,591

28 ACCRUED EXPENSES AND OTHER PAYABLES

	As at 31 December 2019 RMB million	As at 31 December 2018 RMB million
Interest payable	**161**	483
Deposits from vendors	**1,344**	1,244
Accrued expenses	**583**	525
Salary and welfare payables	**564**	631
Other tax payables	**96**	112
Deferred revenue	**34**	34
Cash received from Scheme Participants under restricted share incentive scheme (Note 24)	**1,139**	–
Others	**720**	234
	4,641	3,263

Accrued expenses and other payables are all denominated in RMB. Their carrying amounts approximate their fair values due to their short-term maturities.

29 CASH GENERATED FROM OPERATING ACTIVITIES AND FINANCING ACTIVITIES

(a) Reconciliation of profit before income tax to net cash generated from operations:

	Year ended 31 December	
	2019	2018
	RMB million	RMB million
Profit before taxation	**6,837**	3,475
Adjustments for:		
– Expected credit loss allowance provided	**395**	–
– Depreciation and amortisation (Note 13, 15 and 18)	**45,415**	32,692
– Loss on write-off/disposal of property and equipment (Note 8)	**919**	843
– Interest income	**(63)**	(248)
– Share based compensation under restricted share incentive scheme	**247**	–
– Finance costs (Note 10)	**4,661**	6,007
– Share of net loss of associates	**5**	–
– Gain on early termination of lease contracts	**(33)**	–
– Others	**–**	1
Operating cash flow before changes in working capital	**58,383**	42,770
– Increase in trade and other receivable	**(7,100)**	(3,896)
– Increase in prepayments and other current assets	**(709)**	(402)
– Increase in long-term prepayments	**–**	(3,172)
– Decrease in other non-current assets	**1,005**	7,805
– (Decrease)/Increase in accounts payable	**(218)**	2,103
– Increase in accrued expenses and other payables	**561**	549
Cash generated from operations	**51,922**	45,757

(b) In the consolidated statement of cash flows, proceeds from sale of property and equipment comprise:

	Year ended 31 December	
	2019	2018
	RMB million	RMB million
Net book amount	**1,018**	923
Losses on write-off/disposal of property and equipment	**(919)**	(843)
Proceeds from disposal of property and equipment	**99**	80

29 CASH GENERATED FROM OPERATING ACTIVITIES AND FINANCING ACTIVITIES (Continued)

(c) Net debt reconciliation from financing activities:

	As at 31 December 2019 RMB million	As at 31 December 2018 RMB million
Net Debt		
Cash and cash equivalents	**(6,223)**	(4,836)
Borrowings – repayable within one year	**87,019**	79,946
Deferred consideration payables – repayable within one year	**–**	382
Borrowings – repayable after one year	**8,480**	19,064
Lease liabilities	**24,854**	–
	114,130	94,556

	As at 31 December 2019 RMB million	As at 31 December 2018 RMB million
Net Debt		
Cash and cash equivalents	**(6,223)**	(4,836)
Gross debt – fixed interest rates	**92,065**	53,342
Gross debt – variable interest rates	**28,288**	46,050
	114,130	94,556

29 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	Lease liabilities RMB million	Total RMB million
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
Change in accounting policy (Note 2.2)	**–**	**–**	**–**	**–**	**24,562**	**24,562**
Net debt as at 1 January 2019	**(4,836)**	**79,946**	**19,064**	**382**	**24,562**	**119,118**
Cash flows, net	**(1,387)**	**7,930**	**(11,862)**	**(382)**	**(11,219)**	**(16,920)**
Foreign exchange adjustments	**–**	**–**	**–**	**–**	**–**	**–**
Non-cash movement of lease liabilities	**–**	**–**	**–**	**–**	**11,511**	**11,511**
Non-cash movements:						
– Reclassification	**–**	**(998)**	**998**	**–**	**–**	**–**
– Deferred or accrual	**–**	**141**	**280**	**–**	**–**	**421**
Net debt as at 31 December 2019	**(6,223)**	**87,019**	**8,480**	**–**	**24,854**	**114,130**

30 CONTINGENCIES

As of 31 December 2019 and 2018, the Group has no material contingencies.

31 COMMITMENTS

(a) Capital commitments

As at 31 December 2019 and 2018, the Group had capital commitments for construction expenditures and acquisition of properties as follows:

	As at 31 December 2019 RMB million	As at 31 December 2018 RMB million
Authorised but not contracted for:		
No later than 1 year	**–**	85
Later than 1 year and no later than 5 years	**–**	–
	–	85

	As at 31 December 2019 RMB million	As at 31 December 2018 RMB million
Authorised and contracted for:		
No later than 1 year	**3,036**	1,343
Later than 1 year and no later than 5 years	**–**	–
	3,036	1,343

(b) Non-cancellable operating leases

As at 31 December 2019, the Group had future aggregate minimum lease receipts under non-cancellable operating leases (as lessor) during the leasing period (5 years) amounting to approximately RMB200,214 million (31 December 2018: RMB244,154 million).

31 COMMITMENTS (Continued)

(b) Non-cancellable operating leases (Continued)

From 1 January 2019, the Group has recognised right-of-use assets for leases, except for short-term leases and low-value leases, see note 15(b) for further information. Minimum lease payments under non-cancellable operating leases related to short-term and low-value leases not recognised in the financial statements are as follows:

	As at 31 December 2019 RMB million
No later than 1 year	**622**
Later than 1 year and no later than 5 years	**–**
Later than 5 years	**–**
	622

The future aggregate minimum lease payments under non-cancellable operating leases as at 31 December 2018 are as follows:

	As at 31 December 2018 RMB million
No later than 1 year	3,011
Later than 1 year and no later than 5 years	20,903
Later than 5 years	6,191
	30,105

32 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	Note	As at 31 December 2019 RMB million	2018 RMB million
Assets			
Non-current assets			
Property, plant and equipment		**239,693**	249,055
Right-of-use assets		**36,140**	–
Construction in progress		**12,159**	12,193
Deferred income tax assets		**1,199**	706
Long-term prepayments		**–**	13,216
Other non-current assets		**7,543**	8,395
Investment to subsidiary		**59**	7
		296,793	283,572
Current assets			
Trade and other receivables		**26,249**	19,158
Prepayments and other current assets		**8,508**	7,805
Cash and cash equivalents		**6,166**	4,829
		40,923	31,792
Total assets		**337,716**	315,364
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	22	**176,008**	176,008
Reserves	32(a)	**6,558**	4,494
Total equity		**182,566**	180,502
Liabilities			
Non-current liabilities			
Borrowings		**8,480**	19,064
Lease liabilities		**17,862**	–
Deferred revenue		**800**	1,039
		27,142	20,103
Current liabilities			
Borrowings		**87,019**	79,946
Lease liabilities		**6,992**	–
Deferred consideration payables		**–**	382
Accounts payable		**28,961**	30,591
Accrued expenses and other payables		**4,637**	3,263
Current income tax payable		**399**	577
		128,008	114,759
Total liabilities		**155,150**	134,862
Total equity and liabilities		**337,716**	315,364

The balance sheet of the Company was approved by the Board of Directors on 18 March 2020 and was signed by the following directors on its behalf:

TONG Jilu	**GU Xiaomin**
Name of Director	Name of Director

32 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

(a) Reserve movement of the Company

	Note	Retained earnings RMB million	Other reserves RMB million
At 1 January 2018		(1,850)	–
Profit for the year		2,650	–
Net proceeds from issuance of H shares		–	3,694
Transfer to statutory reserves		(80)	80
At 31 December 2018		720	3,774
Change in accounting policy		(1,201)	(80)
At 1 January 2019 (restated)		**(481)**	3,694
Profit for the year		**5,229**	–
Dividends	23	**(396)**	–
Acquisition of own shares under restricted share incentive scheme	24	**–**	(1,735)
Employee share scheme – value of employee services	24	**–**	247
Transfer to statutory reserves		**(475)**	475
At 31 December 2019		**3,877**	2,681

33 RELATED PARTY TRANSACTIONS

The Company is a limited liability company established in the PRC. As of 31 December 2019, the Company's main shareholders are China Mobile Company, China Unicom Corporation and China Telecom. The parent companies of the Three TSPs are China Mobile Communications Group Co., Ltd. ("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	
		2019	2018
	Note	**RMB million**	RMB million
Provision of Tower business, DAS and other services	(i)	**74,385**	70,739
Purchases of various goods and services	(ii)	**6,196**	8,276
Rental charges for property and site ground lease	(iii)	**494**	517
Payments on behalf of related parties	(iv)	**21,392**	21,871
Short term borrowings	(v)	**7,829**	15,526
– Principals		**7,450**	14,950
– Interests		**379**	576
Interest expenses related to deferred consideration	(vi)	**–**	530

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 and supplemental 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.

(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. On the adoption of IFRS 16, the Group recognises right-of-use assets and lease liabilities for leases in the balance sheet, except for short-term leases and low-value leases.

33 RELATED PARTY TRANSACTIONS (Continued)

(a) Significant transactions with related parties (Continued)

Note: (Continued)

(iii) Rental charges for property and site ground lease (Continued)

For the year ended 31 December 2019, rental charges for property and site ground lease include short-term leases and low-value leases charges for use of property and site ground, the depreciation of the right-of-use assets, and the finance cost associated with the lease liabilities in relation to the aforementioned leasing arrangements with CMCC Group, CUC Group and CTC Group.

(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 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 deferred consideration

The Group paid interests on the deferred consideration associated with the purchase of the Tower Assets in 2015. As at 31 December 2019, all the deferred consideration had been settled.

(b) Key management compensation

The remuneration of key management personnel is as follows:

	Year ended 31 December	
	2019	2018
	RMB thousand	RMB thousand
Salaries, allowances and bonuses	**3,500**	3,800
Contributions relating to social insurance and housing fund	**306**	328
Retirement benefits	**525**	416
	4,331	4,544

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 RMB150 thousand was paid to members of key management for their past performance in 2019 (2018: RMB200 thousand).

The key management of the Group had 5 members for the year ended 31 December 2019 (2018: 5 members).

The remuneration of all key management were calculated based on their respective actual terms of office within this year.

33 RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties

(i) Amount due from related parties

	As at 31 December	
	2019	2018
	RMB million	RMB million
Trade and other receivables	**24,447**	18,379
Prepayments and other current assets	**216**	298
Right-of-use assets	**517**	–

(ii) Amount due to related parties

	As at 31 December	
	2019	2018
	RMB million	RMB million
Accounts Payable	**4,064**	3,233
Accrued expense and other payable	**326**	381
Lease liabilities	**453**	–

Except for lease liabilities, 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, arising from the acquisition of Tower Assets in 2015. All deferred consideration payables have been settled during the year ended 31 December 2019.

(iv) Short-term borrowings from related parties

The balances of short-term borrowings from related parties (non-trade) were RMB7,450 million at 31 December 2019 (31 December 2018: RMB11,000 million), arising from the short-term borrowings from certain related parties as described in Note 33 (a) (v).

33 RELATED PARTY TRANSACTIONS (Continued)

(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 33(a)), the Group has significant transactions with other government-related entities, which include but not limited to the following:

- provisioning of TSSAI services
- rendering or receiving other services, such as construction services, logistics, transportation and maintenance services, etc.
- purchasing of goods and services, including use of public utilities
- placing of bank deposits, obtaining bank borrowings
- leasing office premises 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.

34 EVENTS AFTER THE REPORTING PERIOD

(a) Dividend

On 18 March 2020, the Board of Directors proposed a final dividend for the year ended 31 December 2019. Further details are disclosed in Note 23.

(b) Issue of short-term commercial papers

On 9 March 2020, the Company issued super short-term commercial papers in the amount of RMB4,000 million with a maturity of 178 days in China's interbank bond market.

On 12 March 2020, the Company issued super short-term commercial papers in the amount of RMB2,000 million with a maturity of 180 days in China's interbank bond market.

On 13 March 2020, the Company issued super short-term commercial papers in the amount of RMB2,000 million with a maturity of 179 days in China's interbank bond market.

(c) The impact of Novel CoronavirusSARI

After the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. As at the date on which this set of financial statements were authorised for issue, the Group was not aware of material adverse effects on the financial statements as a result of the COVID-19 outbreak.

Financial Summary

(Expressed in RMB unless otherwise indicated)

RESULTS

	2019 RMB million	2018 RMB million	2017 RMB million	2016 RMB million	2015 RMB million
Operating revenue	**76,428**	71,819	68,665	55,997	8,802
Operating expenses					
Depreciation and amortisation	**(45,415)**	(32,692)	(32,642)	(27,585)	(5,138)
Site operating lease charges	**(639)**	(12,196)	(11,336)	(9,121)	(1,856)
Repairs and maintenance	**(5,993)**	(6,165)	(6,156)	(5,750)	(1,387)
Employee benefits and expenses	**(5,863)**	(4,917)	(4,229)	(3,743)	(2,840)
Other operating expenses	**(7,237)**	(6,768)	(6,587)	(4,728)	(1,742)
	(65,147)	(62,738)	(60,950)	(50,927)	(12,963)
Operating profit/(loss)	**11,281**	9,081	7,715	5,070	(4,161)
Other gains	**154**	153	149	48	18
Interest income	**63**	248	104	65	144
Finance costs	**(4,661)**	(6,007)	(5,283)	(5,077)	(747)
Profit/(loss) before taxation	**6,837**	3,475	2,685	106	(4,746)
Income tax (expenses)/credit	**(1,616)**	(825)	(742)	(30)	1,150
Profit/(loss) for the year	**5,221**	2,650	1,943	76	(3,596)
Profit/(loss) attributable to:					
Owners of the Company	**5,222**	2,650	1,943	76	(3,596)
Non-controlling interests	**(1)**	–	–	–	–
Other comprehensive income, net of tax	**–**	–	–	–	–
Total comprehensive income/(loss) for the year	**5,221**	2,650	1,943	76	(3,596)
Total comprehensive income/(loss) attributable to:					
Owners of the Company	**5,222**	2,650	1,943	76	(3,596)
Non-controlling interests	**(1)**	–	–	–	–
	5,221	2,650	1,943	76	(3,596)

The Company was established on 15 July 2014 and acquired the principal operating assets in October 2015. 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, 2018 or 2019.

From 1 January 2019, the Group has adopted IFRS 16 "Lease" retrospectively, but has not restated comparatives for the 2018 reporting period, as permitted under the transition provisions in the standard. The Group recognized right-of-use assets and lease liabilities for almost all leases, except for short-term leases and low-value leases in the balance sheet, recorded depreciation & amortisation and finance cost accordingly.

Financial Summary
(Expressed in RMB unless otherwise indicated)

ASSETS AND LIABILITIES

	31 December 2019 RMB million	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	**239,925**	249,055	258,138	245,788	203,886
Right-of-use assets	**36,140**	–	–	–	–
Construction in progress	**12,263**	12,193	10,930	13,592	19,807
Deferred income tax assets	**1,199**	706	689	1,208	1,238
Long-term prepayments	**–**	13,216	9,910	5,385	7,089
Other non-current assets	**7,545**	8,395	12,459	6,130	5
	297,072	283,565	292,126	272,103	232,025
Current assets					
Trade and other receivables	**26,258**	19,158	15,262	15,789	20,537
Prepayments and other current assets	**8,514**	7,805	7,403	6,527	2,923
Cash and cash equivalents	**6,223**	4,836	7,852	17,249	13,653
	40,995	31,799	30,517	39,565	37,113
Total assets	**338,067**	315,364	322,643	311,668	269,138
Equity and liabilities					
Equity attributable to owners of the Company					
Share capital	**176,008**	176,008	129,345	129,345	129,345
Reserves	**6,551**	4,494	(1,850)	(3,793)	(3,869)
Total equity attributable to owners of the Company	**182,559**	180,502	127,495	125,552	125,476
Non-controlling interests	**2**	–	–	–	–
Total equity	**182,561**	180,502	127,495	125,552	125,476
Liabilities					
Non-current liabilities					
Borrowings	**8,480**	19,064	43,793	12,280	10,984
Lease liabilities	**17,862**	–	–	–	–
Deferred consideration payables	**–**	–	–	–	83,333
Deferred revenue	**800**	1,039	1,314	2,268	2,218
	27,142	20,103	45,107	14,548	96,535
Current liabilities					
Borrowings	**87,019**	79,946	95,260	37,253	12,900
Lease liabilities	**6,992**	–	–	–	–
Deferred consideration payables – current portion	**–**	382	17,252	90,499	10,966
Accounts payable	**29,313**	30,591	31,906	39,840	21,618
Accrued expenses and other payables	**4,641**	3,263	5,400	3,976	1,643
Current income tax payable	**399**	577	223	–	–
	128,364	114,759	150,041	171,568	47,127
Total liabilities	**155,506**	134,862	195,148	186,116	143,662
Total equity and liabilities	**338,067**	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 *(Executive Director and Chairman of the Board)*
Mr. Gu Xiaomin *(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. Gu Xiaomin
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. Gu Xiaomin
Mr. Su Li
Mr. Fan Cheng

Supervisory Committee

Mr. Li Wenmin *(Chairman of the Supervisory Committee and Employee Representative Supervisor)*
Ms. Gao Lingling *(Shareholder Representative Supervisor)*
Ms. Guo Xiaolin *(Shareholder Representative Supervisor)*
Mr. Sui Yixun *(Shareholder Representative Supervisor)*
Ms. Li Tienan *(Shareholder Representative Supervisor)*
Mr. Wang Hongwei *(Employee Representative Supervisor)*

Notes: The compositions of the Board, the Board committees and Supervisory Committee as at 31 December 2019 are listed above.
Mr. Su Li resigned from his positions as an independent non-executive Director, the chairman of the Remuneration and Appraisal Committee, a member of the Strategy Committee, the Nomination Committee and the Connected Transaction Committee of the Company on 10 January 2020.
Mr. Shao Guanglu resigned from his positions as a non-executive Director, a member of the Strategy Committee and the Remuneration and Appraisal Committee of the Company on 6 March 2020.

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"	the annual general meeting of the Company held on 18 April 2019
"2019 AGM"	the annual general meeting of the Company to be held on 21 May 2020
"2019 EGM"	the extraordinary general meeting of the Company held on 31 July 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 36.70% 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 8 July 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 2019
"First Tranche of Grant"	the first tranche of Initial Grant under Restricted Share Incentive Scheme
"Group"	the Company and its subsidiaries
"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
"Initial Grant"	the initial grant of the Restricted Shares under the Restricted Share Incentive Scheme to the Scheme Participants

"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
"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" in this annual report
"Relevant Products"	has the meaning as defined in "Report of the Directors – Continuing Connected Transactions – Principal Services Provided to the Telecom Shareholders" in this annual report
"Restricted Share(s)"	the incentive instrument of the Restricted Share Incentive Scheme, which would, subject to the fulfilment of the conditions as required by Restricted Share Incentive Scheme, entitle the Scheme Participants to be granted or subscribe for the restricted shares of the Company and the related shares newly issued as a result of the bonus issue or conversion shares of the Company
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Restricted Share Incentive Scheme"	the "China Tower Corporation Limited First Phase Restricted Share Incentive Scheme" adopted by the Company at the 2018 AGM, pursuant to which the Company can grant H Shares to the Scheme Participants
"Scheme Participant(s)"	Directors, senior management and employees of the Company who are eligible for participation under the Restricted Share Incentive Scheme
"Second Tranche of Grant"	the second tranche of Initial Grant under Restricted Share Incentive Scheme
"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
"Site Resource Service Framework Agreement"	the agreement dated 19 December 2019 entered into between the Company and CMCC in relation to the provision of site resource service by the Company to China Mobile Company and its associates
"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.

Forward Looking Statements

The performance and the results of the operations of the Company contained in this 2019 annual report 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 2019 annual report 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 the 2019 annual report; 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.

CHINA TOWER CORPORATION LIMITED
中國鐵塔股份有限公司

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