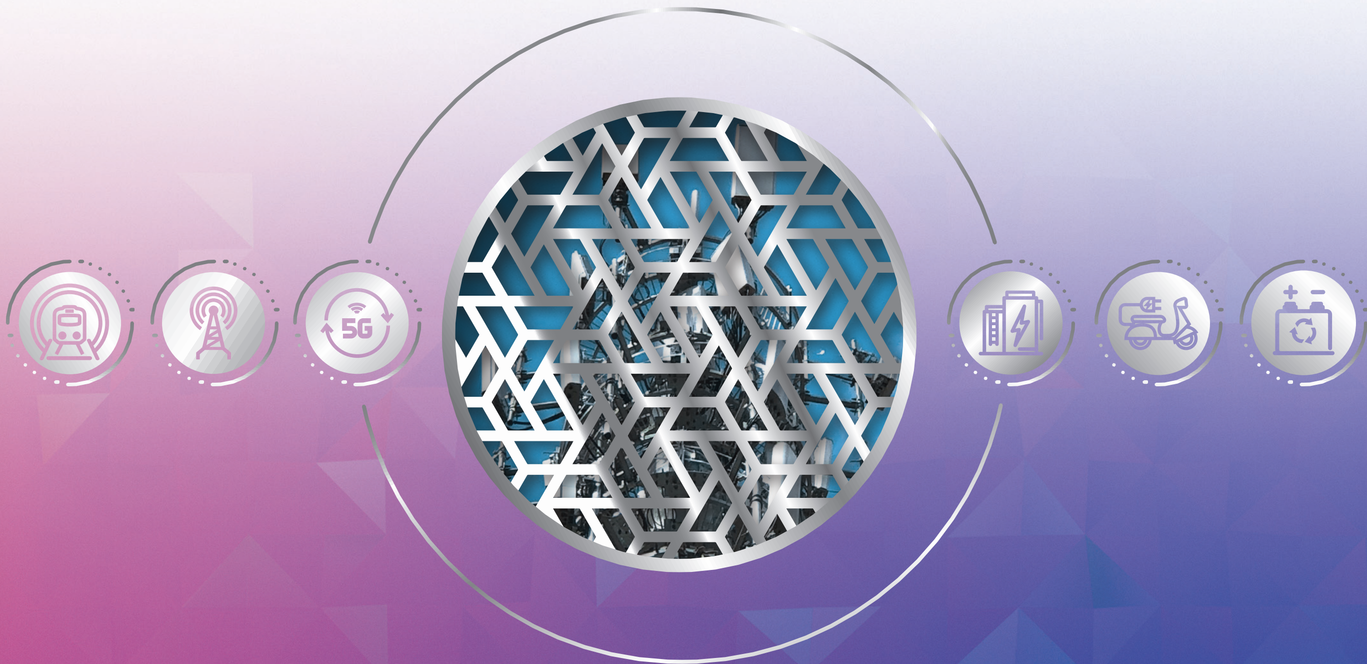
CHINA TOWER CORPORATION LIMITED
中國鐵塔股份有限公司

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

Stock Code : 0788



Resource Sharing for an Intelligent Future

Annual Report 2021

About

China Tower is the world's largest telecommunications tower infrastructure service provider, and the Company always adheres to the philosophy of shared development and implements the "One Core and Two Wings" strategy. The Company is principally engaged in the construction, maintenance and operation of base station ancillary facilities such as telecommunications towers, public network coverage in high-speed railways and subways, and large-scale indoor Distributed Antenna Systems (DAS). Meanwhile, relying on unique resources to provide energy application services such as information application and intelligent battery exchange and power backup to the society, the Company strives to build itself into a world-class integrated information and communications infrastructure service provider and a highly competitive information and new energy applications provider. As of the end of December 2021, the Company's total assets amounted to RMB323,259 million. China Tower operated and managed 2.038 million tower sites across 31 provinces, municipalities and autonomous regions in the PRC, and served over 3.459 million tenants with the tenancy ratio of 1.70, showing a continuous increase in the level of site co-location.

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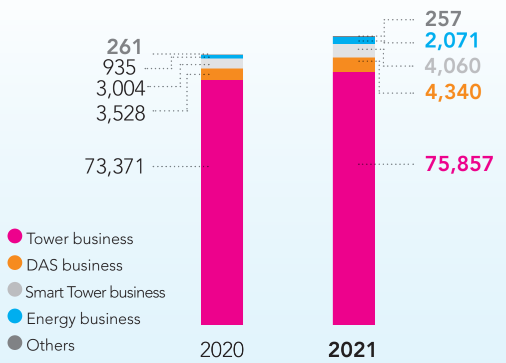
Performance Highlights

RMB million	2021	2020	Change
Operating revenue	**86,585**	81,099	6.8%
of which			
Tower business	**75,857**	73,371	3.4%
DAS business	**4,340**	3,528	23.0%
Smart Tower business	**4,060**	3,004	35.2%
Energy business	**2,071**	935	121.5%
Other business	**257**	261	-1.5%
Operating profit	**13,035**	12,012	8.5%
EBITDA[1]	**63,017**	59,527	5.9%
Profit attributable to owners of the Company	**7,329**	6,428	14.0%
Capital expenditures	**25,192**	37,122	-32.1%
Cash flow from operating activities	**60,503**	57,548	5.1%
Earnings per share (RMB Yuan)	**0.0419**	0.0368	13.9%

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

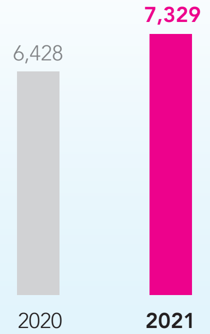
Operating revenue

(RMB million)



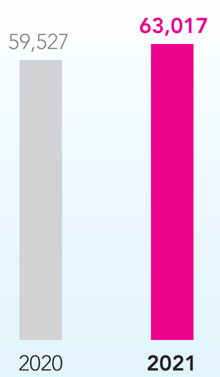
Profit attributable to owners of the Company

(RMB million)



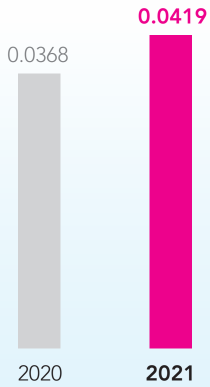
EBITDA

(RMB million)



Earnings per share

(RMB Yuan)



2,038 thousand

No. of tower sites

Revenue contribution from non-tower businesses

12.4%

3,459 thousand

No. of tower tenants

1.70

Tower tenancy ratio

Key operational data

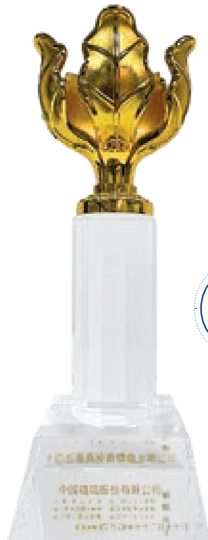
Indicator	Unit	**As of the end of 2021**	As of the end of 2020	Change
Number of tower sites	'000	**2,038**	2,023	0.7%
Number of TSP tenants	'000	**3,260**	3,175	2.7%
TSP tenancy ratio	Tenants/site	**1.60**	1.57	1.9%
DAS business coverage				
Area of buildings	Million square meters	**4,990**	4,060	22.9%
Length of subways	Kilometers	**8,007**	5,881	36.2%
Length of high-speed railway tunnels	Kilometers	**8,899**	6,821	30.5%
Tenancy ratio [Note 1]	Tenants/site	**1.70**	1.66	2.4%
Average annual revenue per site [Note 2]	RMB Yuan/year	**39,358**	38,026	3.5%

Note 1: Tenancy ratio = (number of TSP tenants + number of Smart Tower tenants)/number of tower sites

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

Corporate Recognition

The Chinese edition of Bloomberg Businessweek "Listed Enterprises of the Year 2021"



China Securities Golden Bauhinia Awards "Best Investment Value Award for Listed Companies during the 14th five-year period"

The Asset ESG Awards
「財資ESG企業獎2021」

ARC Award for China Tower's 2020 annual report on cover design and production

Galaxy Award for China Tower's 2020 annual report on cover design and production

Corporate Culture

Core Values

- Entrepreneurship and Innovation
- Pragmatism and Efficiency
- Customer Benefits
- Employee Enablement

Our Vision

To become a world-class integrated information and communications infrastructure service provider and a highly competitive information and new energy applications provider

Our Mission

Sharing and joint-success, building an effective and efficient enterprise

Shareholding Structure

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

Domestic share

H Share

5G
Large-scale Construction

Cumulative number of 5G demand

1,226,000

Chairman's Statement

Resource Sharing for an Intelligent Future

Dear Shareholders,

In 2021, driven by the state strategies of "Cyberpower", "Digital China", and "dual carbon", China Tower Corporation Limited (the "**Company**" or "**we**") actively seized the opportunity to deepen our "sharing" philosophy and fully implement our "One Core and Two Wings" (一體兩翼) strategy. We have seen encouraging development in each of our business segments, alongside steady and continuous growth in our overall performance.

Zhang Zhiyong
Chairman of the Board

Financial Performance

Our revenue maintained a healthy growth and increased steadily in 2021 and our profitability continued to improve. In 2021, we recorded operating revenue of RMB86,585 million, with a year-on-year increase of 6.8%. Our EBITDA reached RMB63,017 million, up by 5.9% year-on-year, with an EBITDA margin of 72.8%. Profit attributable to owners of the Company amounted to RMB7,329 million, up by 14.0% year-on-year, with a net profit margin of 8.5%.

We maintained a stable and abundant cash flow. In 2021, net cash generated from operating activities amounted to RMB60,503 million, while capital expenditures reduced by 32.1% year-on-year to RMB25,192 million, resulting in our free cash flow[1] increasing 72.9% year-on-year to reach RMB35,311 million. Our debt leverage ratio was stable and manageable, and our financial position remained healthy. As of 31 December 2021, our total assets amounted to RMB323,259 million, and our interest-bearing liabilities stood at RMB101,304 million, representing a gearing ratio[2] of 33.4%.

Aligned with our commitment to providing good returns to our shareholders, the board of directors of the Company (the "**Board**") recommends paying a final dividend of RMB0.02624 per share (pre-tax) for the year ended 31 December 2021, equivalent to a payout ratio of 70% of our annual distributable net profit.

Business Performance

In 2021, we continued to strengthen our core advantage in resource coordination and sharing to drive innovation and enhance efficiency and performance. Under the "One Core and Two Wings" strategy, our TSP business consistently achieved a stable growth, while our Smart Tower and Energy businesses continued their rapid growth.

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

Note 2: Gearing ratio is calculated as net debts divided by the sum of total equity and net debt, then multiplied by 100%. Net debt is calculated as the amount of interest-bearing liabilities minus the amount of cash and cash equivalents.

Supporting the construction of 5G network in an intensive and effective manner, our TSP business continued to grow steadily

Our belief in sharing and creating synergy continued to prevail as the coverage and depth of the 5G networks extended constantly at an even faster rate. Based on the new features of 5G network construction, we fully leveraged our advantages in resource coordination and sharing, as well as expertise in operations, to launch innovative and cost-effective products and solutions. We integrated these products and solutions to speed up the launch of our integrated wireless communications coverage solutions and DAS sharing solutions to meet the network coverage demands of our customers by offering a low-cost, highly efficient and quality service. In 2021, we completed approximately 552,000 5G construction projects, supporting the large-scale construction of 5G networks in an economic and efficient manner. Meanwhile, 5G has become an increasingly key driver for the growth of our TSP business, which in turn propelled our overall business to grow steadily, cementing our position as the market leader in the construction and operation of telecommunications infrastructure.

As of the end of 2021, the total number of our tower sites had reached 2.038 million, representing a net increase of 15,000 compared to the end of 2020. The total number of TSP tenants amounted to 3.260 million, 85,000 more than at the end of 2020. Our TSP tenancy ratio increased from 1.57 at the end of 2020 to 1.60. In terms of our DAS business, we covered buildings with a cumulative area of 4.99 billion square meters, up by 22.9% year-on-year, while the cumulative length of high-speed railway tunnels and subways covered reached 16,906.0 kilometers, an increase of 33.1% year-on-year.

In 2021, our TSP business revenue recorded a year-on-year increase of 4.3% to RMB80,197 million, of which tower business revenue increased by 3.4% year-on-year to RMB75,857 million and DAS business revenue increased by 23.0% year-on-year to RMB4,340 million.

Focused on boosting new growth momentum, the development of Two Wings business started to show remarkable results

We seized the opportunities brought by the development of the digital economy and actively responded to the national "dual carbon" goals. Leveraging our unique advantages in resources and capabilities, we maintained a clear focus on product innovation and platform optimization to fortify our core competencies and expand our market. As a result, the Two Wings business continued to scale rapidly, helping to strengthen the multi-pillar development structure and create new growth momentum for the Company. In 2021, our Two Wings business recorded revenue of RMB6,131 million, or an increase of 55.6% year-on-year. It accounted for 7.1% of overall operating revenue and contributed 40.0% to the incremental revenue in the year.

Focused on key sectors, the Smart Tower business sustained a rapid growth

We seized the opportunity of digital transformation across the society, drawing on our abundant site resources and our largest domestic tower sharing and practical Internet of Things platforms to focus on key sectors centered around our Tower Monitoring service to drive the transformation of telecommunications towers into digital towers. With a coordinated approach, we continued to delve into key sectors including forestry, water conservation, agriculture and environmental protection, which are connected to major national projects such as the conservation of the Yangtze River, and forest and grassland fire prevention. As a result, we achieved a rapid growth and established our brand as a company that serves people's livelihoods and makes contribution to social governance. We developed our innovative national "Tower Monitoring" platform and deepened strategic cooperation with industry partners in the areas of algorithms, cloud resources, transmission and terminals, in order to grow together with our partners. In 2021, our Smart Tower business achieved revenue of RMB4,060 million, a year-on-year increase of 35.2%, of which 51.6% was contributed by our Tower Monitoring business. Our Tower Monitoring business achieved revenue of RMB2,096 million. This reflects a continued shift of our business from resource leasing towards digital applications with higher value.

Further strategic planning helped our Energy business grow in scale

Drawing on our expertise in energy operations and securing power supply, we continued to expand the scale of operations of our Energy business, centering around core areas such as battery exchange and power backup. We accelerated the economical and efficient establishment of internet-connected, environmentally friendly and smart battery exchange facilities, with a focus on key sectors such as finance, healthcare and transportation. We also introduced four-in-one power security solutions that cover power backup, power generation, monitoring and maintenance, which drove rapid growth in the number of users and revenue. As of the end of 2021, we had developed a cumulative 612,000 users for our tower battery exchange services, an increase of 311,000 from the end of 2020, making us the largest operator of battery exchange services for light electric vehicles in China. Our Energy business recorded revenue of RMB2,071 million in 2021 with a year-on-year increase of 121.5%, of which the tower battery exchange business accounted for revenue of RMB1,243 million, representing a growth of 239.6% year-on-year.

Corporate Governance and Social Responsibility

We have always placed great importance on corporate governance, proactively putting in place sound governance systems and mechanisms, and constantly strengthening our risk management and internal control systems and compliance management. In doing so, we aim to enhance our ability to prevent and control risk. As a result, we can maintain a high standard of corporate governance, which helps to safeguard the Company's healthy and sustainable growth.

We have received wide recognition for our commitment to corporate social responsibility and our efforts to ensure that enterprises and society can develop in harmony. In 2021, we helped to build wireless communications infrastructure in remote areas to build the "information highway", bridging the digital divide caused by the different pace of development in urban and rural areas. By doing so, we laid the foundation for the development of digital villages. We also tailored measures to local conditions and devised long-term strategies to support rural industries, enabling the digitalization of agriculture and village development. Building on efforts to consolidating the achievement of overall poverty alleviation, we helped channel the outcomes to further drive rural revitalization. Responding to natural disasters, such as extreme rainstorms in Henan, and major public security incidents, we participated in rescue and disaster relief, successfully completing various missions to construct and maintain contingency communications facilities to secure emergency communications, as well as safeguarding national development and ensuring people's health and safety. In addition, we implemented green development policies and promoted energy saving across our operations in innovative ways. We actively explored the use of clean energy, as part of our commitment to green and low-carbon development and our support for China's "Carbon Peak, Carbon Neutrality" goals.

Outlook

Looking ahead, we will further our "One Core and Two Wings" strategy to seize opportunities arising from the development of 5G new infrastructure and the digital economy, as well as the "dual carbon" goals. Our position as a "world-class integrated information and communications infrastructure service provider and a highly competitive information and new energy applications provider" will see us developing an operating system that is professional, intensive, delicate, efficient and digitalized. We will use this to build an enterprise centered around sharing, service, innovation, technology and value creation. We will sustain the stable growth of our operating results and strive for value growth and the sustainable and high-quality development of the Company.

Dual growth engines of "5G + DAS" continue to cement industry leadership

Our TSP business will remain as the fundamental and cornerstone of our development. In view of the ample opportunities arising from the construction of 5G networks to improve their scale, 5G will continue to drive the growth of our TSP business. Adhering to the philosophy of sharing, we will continue to consolidate and enhance our resource coordination and sharing capabilities, in order to uncover and satisfy customer demand. Strengthening our market-oriented approach will lead to further innovation in products, solutions and services, aligning with the 5G construction features and customer demand. By precisely allocating resources, we can better support the increasing depth and breadth of TSPs' 5G network in an intensive and effective manner with our qualified services. As the 5G network extends to indoor areas, we will seize the opportunity and focus on key scenarios such as new construction demand, as well as site alternation demand. Our advantages in coordinating resources and site entries will help us deliver scenario-specific and integrated active and passive DAS solutions to scale up our business and gain market share, which will accelerate the development of our DAS business.

Focusing on scale and efficiency to drive better and faster development of our Two Wings business

The thriving digital economy and progress towards the "dual carbon" goals have brought forth valuable opportunities for the development of our Two Wings business. Centered around our resource sharing and coordination capabilities, we will continue to strengthen our product innovation and support for platform operations, to boost the scale and efficiency of our Two Wings business.

Focusing on key sectors to enhance our Smart Tower business

Leveraging our rich tower resources across China, we will speed up the transformation of telecommunications towers to digital towers and continue to deepen our penetration into industry customers, with a focus on key sectors including environmental protection, forestry, agriculture, land, water resources, transportation, emergency response, and township governance. We will also strengthen our control and innovation across areas such as business integration, applications, platforms, algorithms, storage and terminals. By doing so, we will speed up the research, development, iteration and optimization of our application products with a clear focus on responding to market demand. We will develop and optimize our unified marketing and sales system across the country, with the aim of further enhancing the impact of our brand as an information applications provider building on Digital Towers.

Focusing on key products to develop specialized Energy business

China's "dual carbon" goals have presented ample opportunities for the development of our specialized Energy business, with a focus on key offerings such as battery exchange and power backup. We will increase our investment in the research and development of core hardware/terminals and critical software/platform to enhance our platform capabilities. We will also strengthen our smart customer service by building up service supervision and evaluation systems to deliver premium services. Finally, we will exercise more delicate operations over our assets. This will see our operating approach shift from focusing on rapid network construction and the swift uptake of customers to a dual focus on scale and efficiency enhancement. By doing so, we will further establish the advantages that differentiate us and become a highly competitive energy applications provider.

Acknowledgement

I would like to take this opportunity to express my heartfelt gratitude to Mr. Tong Jilu, who recently retired from the role of Chairman. During his term of service, Mr. Tong oversaw the formation and incorporation of the Company and led it to achieve its rapid growth, laying a solid foundation for our future development. On behalf of the Board, I sincerely thank Mr. Tong for his remarkable achievements and contributions to the Company. I would also like to express our sincere gratitude to Mr. Fan Cheng and Mr. Tse Yung Hoi, who have resigned as directors, for their outstanding contribution to the development of the Company. In addition, on behalf of the Board, I would like to extend my warmest welcome to Mr. Liu Guiqing, Mr. Zhang Guohou and Mr. Hu Zhanghong, who have joined the Board as new directors.

We would not have achieved the results we have today without the dedication of our employees, the support of our customers, the confidence of our shareholders and the encouragement of the general public. On behalf of the Board, we are most grateful and look forward to continuing our journey together.

Zhang Zhiyong
Chairman

Beijing, China, 9 March 2022

Transformation to

Digital Tower


Smart Tower Business
revenue grew
35.2%

Management Discussion and Analysis
– Business Overview

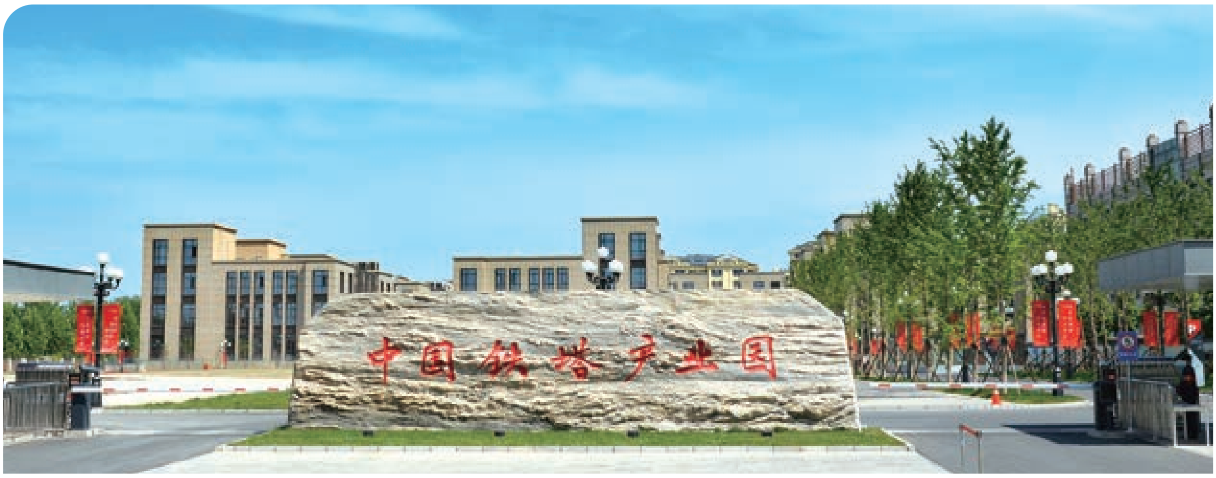
In 2021, led by our resource sharing and synergy creation strategy, we captured development opportunities and advanced the coordinated growth of our "One Core and Two Wings" business, sustaining healthy operating results overall.

Key operational data

Indicator	Unit	As of the end of 2021	As of the end of 2020	Change
Number of tower sites	'000	**2,038**	2,023	0.7%
Number of TSP tenants	'000	**3,260**	3,175	2.7%
TSP tenancy ratio	Tenants/site	**1.60**	1.57	1.9%
DAS business coverage				
Area of buildings	Million square meters	**4,990**	4,060	22.9%
Length of subways	Kilometers	**8,007**	5,881	36.2%
Length of high-speed railway tunnels	Kilometers	**8,899**	6,821	30.5%
Tenancy ratio Note 1	Tenants/site	**1.70**	1.66	2.4%
Average annual revenue per site Note 2	RMB Yuan/year	**39,358**	38,026	3.5%

Note 1: Tenancy ratio = (number of TSP tenants + number of Smart Tower tenants)/number of tower sites

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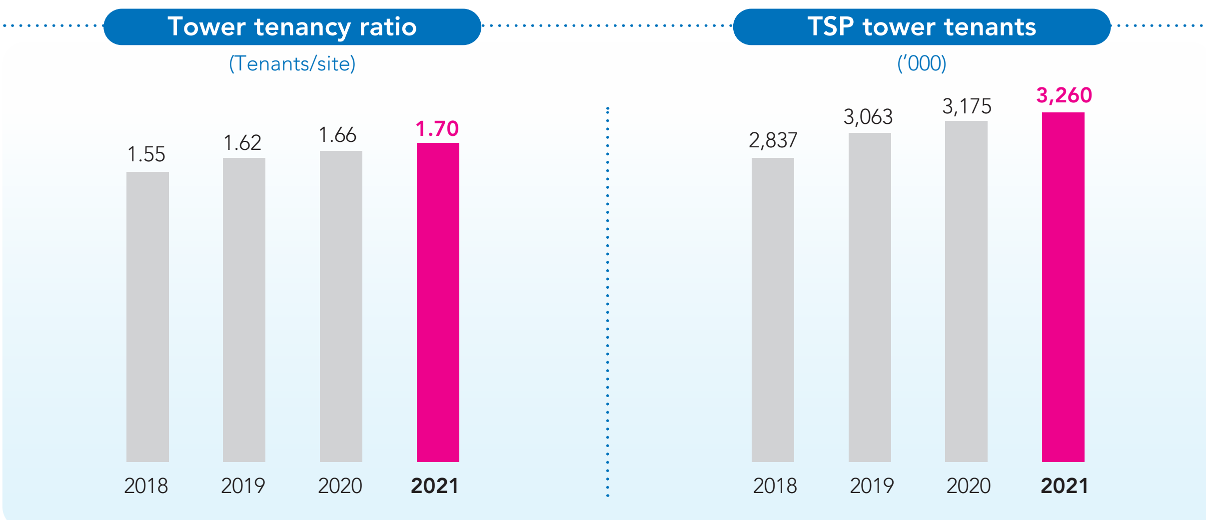

Tower tenancy ratio
(Tenants/site)
1.55
1.62
1.66
1.70
2018
2019
2020
2021
TSP tower tenants
('000)
2,837
3,063
3,175
3,260
2018
2019
2020
2021

TSP Business

In 2021, we persisted in sharing and collaborative development to capture opportunities arising from increased 5G network coverage and deployment. We focused on delivering innovation in our construction and service models to enhance our ability to coordinate and share resources. This helped our customers deploy their 5G networks in an intense and effective manner, which in turn supported the implementation of China's "Cyberpower" strategy. In 2021, TSP business continued its stable growth and fortified our market leadership in this space. The TSP business recorded annual revenue of RMB80,197 million, an increase of 4.3% year-on-year. Of which, Tower business accounted for RMB75,857 million and DAS business accounted for RMB4,340 million, representing respective growth of 3.4% and 23.0% compared to the previous year and further consolidating the foundation for the Company's healthy growth.

Tower business: Leveraging our advantages in resources coordination, we continued to advocate for the government to introduce a series of supportive policies, including opening up public resources and prioritized electricity supply for 5G, while calling for different levels of government to launch construction standards for wireless communications in buildings. Through harnessing policy support and establishing relevant mechanisms, we addressed major issues concerning 5G base station construction such as site selection, entry to premises and high cost. In addition, we advanced product applications and service model innovation, working together with our customers to devise the most viable facilities and solutions. By doing so, we were able to meet customer demand in a more intense and effective manner, while enhancing our low-cost construction capability.

As of the end of 2021, the Company managed a total of 2.038 million tower sites, representing an increase of 0.7% from the previous year. The total number of TSP tenants reached 3.260 million, representing an increase of 2.7% or an addition of 85,000 tenants compared to the end of 2020. During the year, we completed 552,000 projects related to 5G construction. We managed to fulfill 97% of construction demand by altering existing site resources. Our TSP tenancy ratio reached 1.60.

DAS business: During the year, we continued to leverage our advantages in coordinated site entry and focus on increasing returns on investment by reducing site operating lease charges, electricity expenses and other operating costs. By stepping up product and service innovation, particularly for key DAS scenarios such as high-speed railways, subways, large venues, transportation junctions and

commercial complexes, we were able to provide differentiated and diverse indoor network coverage solutions to customers in different regions. Our premium services also included the provision of shared resources such as shelters, electricity and transmission facilities, as well as shared services such as installation and construction. These offerings helped us consolidate our advantages in cost, quality and overall competitiveness in the market, boosting the rapid growth of the DAS business. As of the end of 2021, our DAS business covered buildings with a total area of 4,990 million square meters, up by 22.9% over the previous year. We also covered 8,007 kilometers of subways and 8,899 kilometers of high-speed railway tunnels, up by 36.2% and 30.5%, respectively, from the year before.

Drawing on our competitive ability to manage resources and our expertise in construction, we focused on major projects and key communications infrastructure construction, underscoring our capabilities and building our brand as a world-class information and communications infrastructure integrated service provider. One of these projects was the Beijing 2022 Winter Olympics. Adhering to the theme of organizing green, shared, open, honest and clean games, we maintained a clear focus on 5G network construction in the Olympic venues and in the key surrounding regions. Adopting a coordinated approach, we handled demand from the three TSPs through resource sharing and intense and efficient construction. In the process, we ensured that information and communications infrastructure and main structural works were planned, designed, constructed and delivered in a synchronized manner. Drawing on our expertise in integrated wireless network coverage, our construction featured a combination of macro and small cells, as well as indoor and outdoor network infrastructure, achieving full 5G network coverage in competition venues in Beijing and Hebei province, as well as along the Beijing-Chongli Expressway and the Beijing-Zhangjiakou High-speed Railway connecting the venues. Moreover, we worked closely with TSP customers to devise innovative solutions and high-performance 5G DAS products, which were adopted to effectively tackle the problem of 5G coverage in high-speed railway tunnels. In this particular use case of the Winter Olympics and high-speed railways, we successfully integrated high-speed railway, 5G and ultra-high definition livestreaming – the three major modern innovations from China.

Looking ahead, we will firmly position the Company as an integrated service provider of information and communications infrastructure and continue to drive innovation and build our core competence. We will foster the dual growth engines of 5G and DAS to fuel the high-quality and sustainable development of our TSP business through providing better services to our customers. Sharing will

remain core to our strategy, which will see us reinforce our advantages in resources. We will push for the implementation of more supportive government policies and create synergies from the co-construction of 5G new information infrastructure and traditional infrastructure projects in order to exercise better control over resources. Riding on the demand for indoor coverage, we will address new-build and 5G alternation demand, with a focus on key scenarios. By doing so, we will seek the scaled deployment of our innovative DAS solutions to fulfill 5G construction demand and increase our DAS market share. Aligning with our customers' network construction strategy, we will further diversify our power supply and ancillary facilities, DAS, and other offerings through technological and product innovation, in order to cater to customer requirements and support their cost-effective, green and low-carbon development.

Smart Tower Business

In response to opportunities arising from the development of the digital economy, we targeted key sectors and focused on developing our Tower Monitoring business. By strengthening our platform operation capabilities and broadening our market, we sped up the extension of our offerings from resource leasing to higher-value digital applications and services. By doing so, our Smart Tower business sustained rapid scale growth, further supporting our transformation from telecommunications towers into digital towers.

In 2021, our Smart Tower business generated revenue of RMB4,060 million, up by 35.2% year-on-year. The revenue from the Smart Tower business accounted for 4.7% of our overall operating revenue and contributed 19.3% to the incremental operating revenue in the year. As of the end of 2021, nearly 175,000 of our tower sites had provided smart tower applications and services to multiple sectors and verticals.

Our extensive site coverage across China combines the strengths of various types of site and monitoring capabilities. These advantages, coupled with the largest site-sharing and practical Internet of Things platforms, have enabled us to further the transformation of our telecommunications towers into digital towers. We targeted key sectors centered around the Tower Monitoring business to provide mid- and high-point video surveillance and information services to our customers in various sectors by adopting the model of "Tower+5G+AI". In addition, we developed an innovative and unified tower monitoring platform by integrating algorithm, cloud resources, transmission and terminals. Drawing on this national platform, we created an innovation-driven ecosystem to effectively consolidate hundreds of algorithms and capabilities, allowing us to create synergies and grow together with industry partners.

Responding to the demand arising from the digitalization of social governance activities, we aligned our development with the national strategy, targeting key sectors, including agriculture, water resources, environmental protection and forestry, to optimize our social resource-sharing model. In 2021, we formed strategic partnerships with a range of governmental organizations including the Ministry of Water Resources, the Ministry of Agriculture and Rural Affairs, and the China Earthquake Administration, to support ecological conservation and the high-quality development of regions along the Yangtze River and the Yellow River. Through our partnership with the China Earthquake Administration, we successfully completed projects related to nationwide earthquake intensity alerts and early warnings, helping to safeguard the country against seismic risks and mitigate disasters.

Going forward, we will continue to capture opportunities and leverage our site resources, as well as newly-fostered advantages in innovative platforms and algorithms, to enhance our product portfolio, optimize the digital tower ecosystem and further develop our expertise in key verticals. We will devote ourselves to the sustainable and high-quality development of the Smart Tower business and to becoming a highly competitive information applications service provider.

Delving into key sectors: We will target eight sectors – agriculture, water resources, environmental protection, forestry and grassland, emergency response, land, transportation, and township governance. We will advance the launch and commercialization of key projects with a goal to deepen social resource sharing. Responding to the national strategy of rural revitalization and digital village development, we will promote our video surveillance service to medium- and small-sized businesses from various industries, ranging from agriculture and forestry to animal husbandry and fishery, in different counties, towns, and villages. By doing so, we will accelerate market expansion and increase the social impact of our brand.

Optimizing the products: To fulfill the demand of various sectors, we will deepen partnerships along the industrial chain and launch standardized and ready-to-deploy industry applications for our eight target sectors, with the aim of delivering a better user experience in terms of product availability, effectiveness and usability.

Strengthening the platform: We will continue to develop our professional platform by improving unified standards and empowering business expansion, to support the continued innovation and growth of our Smart Tower business.

Energy Business

Adhering to our sharing and collaboration philosophy and under the guidance of the national "dual carbon" goals, we drew on our resource and capability advantages to focus on core businesses such as battery exchange and power backup. We accelerated the economical and efficient establishment of power exchange infrastructure facilities and developed our four-in-one power security solution that covers power backup, power generation, monitoring, and maintenance services. These measures helped us scale the growth of our Energy business.

In 2021, the revenue of our Energy business reached RMB2,071 million, a year-on-year increase of 121.5%. It accounted for 2.4% of overall operating revenue and contributed 20.7% to our incremental operating revenue, becoming a key driver of the Company's sustainable development. As of the end of 2021, we had launched our battery exchange service in 280 cities across China, operating 44,000 battery exchange stations with 612,000 users in our network. We have also developed a cumulative 29,600 power backup points for key sectors including finance, healthcare and transportation. Our battery exchange business generated revenue of RMB1,243 million, representing growth of 239.6% compared to the previous year.

Enhanced the product portfolio. We have sped up the iteration of battery exchange products and issued the 3.0 battery exchange product and technology standard. We implemented the one-city dual-active backup and disaster recovery plan on our battery exchange platform and developed functions such as emergency battery exchange and offline battery exchange, which significantly enhanced the applicability, safety and reliability of our battery exchange service. We optimized our power backup product portfolio by introducing standardized products for indoor and outdoor use, in order to expand the applicability of our products for different scenarios. We also developed visualized monitoring on big screens for sectors such as finance, transportation and healthcare to improve user experience.

Strengthened the delicate operation of assets. We enhanced the operation of assets by implementing the full life-cycle management of our battery assets to optimize resource efficiency. We regulated the expenses for battery exchange packages and started online sales to attract direct customers. We implemented a new maintenance system for our Energy business, including strengthening the management of third-party maintenance and significantly improving service benchmarks, such as for timely handling of breakdowns. In addition, we enhanced the platform's service capabilities by developing a smart customer service platform with self-service functions, thus improving service efficiency while further optimizing user experience.

Stepped up marketing efforts. We deepened industry collaborations and achieved breakthroughs with corporate customers such as Meituan, Ele.me, China Post and SF Express, as well as with customers in the finance, healthcare, transportation, and other sectors. In addition, we have stepped up our brand-building efforts by integrating online and offline promotion and launching key point marketing campaigns to convey the economical, safe and efficient brand proposition. As a result, our brand reputation has improved significantly.

In the future, we will integrate the national "dual carbon" goals into our operations, with a focus on battery exchange, power backup and other key products. We will develop our expertise, optimize our service, strengthen our platform and build our brand in this space, in order to drive the high-quality development of our Energy business.

Advance our expertise in the battery exchange business. We will further develop the food delivery and express delivery market while gradually expanding into battery exchange for shared electric bikes and public electricbikes in order to reinforce our market leadership. Through the integration of vehicles and batteries, and integrated operations through the value chain, we will drive sustainable and rapid growth in our user base and revenue.

Strengthen the power backup business. By focusing on key sectors such as finance, healthcare, transportation, education, communications and petrochemicals, we will leverage our power backup capabilities while enhancing our ability to respond to customer requests, in order to create a higher degree of customer loyalty and delve deeper into these key verticals over time.

Management Discussion and Analysis
– Financial Overview

(Expressed in RMB unless otherwise indicated)

1. Summary

In 2021, the Company actively served and integrated into the new development pattern and deepened the implementation of the "One Core and Two Wings" strategy to fuel market development and further enhance our competency on resource coordinating and site operation. We have maintained stable growth in operating results.

In 2021, the operating revenue of the Company amounted to RMB86,585 million, up by 6.8% over last year; the operating profit amounted to RMB13,035 million, up by 8.5% over last year; profit attributable to owners of the Company amounted to RMB7,329 million, up by 14.0% over last year; the EBITDA was RMB63,017 million, up by 5.9% over last year; the capital expenditures amounted to RMB25,192 million and the free cash flow amounted to RMB35,311 million.

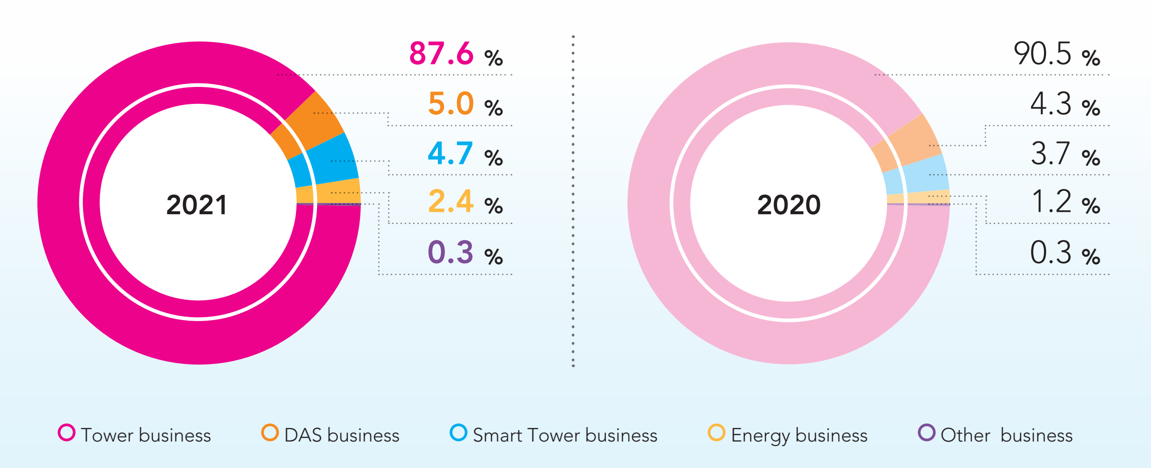
2. Operating Revenue

In 2021, the Company efficiently supported the large-scale deployment of 5G networks and our TSP business maintained steady growth. We accelerated the transformation of "Telecommunication Tower" into "Digital Tower" and actively deployed tower energy service infrastructure, with rapid growth achieved in the Two Wings business. Our operating revenue reached RMB86,585 million in 2021, up by 6.8% over last year. The proportion of revenue from non-tower businesses, including the DAS business and the Two Wings business, increased from 9.5% last year to 12.4%.

The table below summarises the changes in composition of the Company's operating revenue for the years of 2021 and 2020:

(RMB million)	2021 Total amount	2021 Proportion in operating revenue	2020 Total amount	2020 Proportion in operating revenue
Operating revenue	**86,585**	**100.0%**	81,099	100.0%
Of which: Tower business	**75,857**	**87.6%**	73,371	90.5%
DAS business	**4,340**	**5.0%**	3,528	4.3%
Smart Tower business	**4,060**	**4.7%**	3,004	3.7%
Energy business	**2,071**	**2.4%**	935	1.2%
Other business	**257**	**0.3%**	261	0.3%

Operating revenue structure



Revenue from Tower business

In 2021, based on sharing resources for synergistic development, the Company gave full play to its advantages in coordinating its own resources and social resources, and innovated its construction service model to provide on-demand network coverage to customers in a more economical manner, so as to satisfy the demands for 5G network construction at low cost with high efficiency. Revenue from our Tower business for the year amounted to RMB75,857 million, up by 3.4% over last year.

Revenue from DAS business

In 2021, capitalizing on the favorable opportunity of extending 5G network coverage indoors, the Company, with a focus on major cities and scenarios, strengthened resource allocation and the promotion and application of innovative product solutions, further enhancing its market expansion capabilities. The DAS business achieved revenue for the year of RMB4,340 million, up by 23.0% over last year. The revenue from the DAS business accounted for 5.0% of our operating revenue, representing an increase of 0.7 percentage point compared to that of last year.

Revenue from Smart Tower business and Energy business

In 2021, taking advantage of site resources, power supply security and platform capabilities, the Company focused on key industries, enriched the connotation of "Digital Tower", established a tower monitoring platform, and cultivated and expanded its Smart Tower business. The Company also actively promoted the professional operation of energy, expedited the iteration and innovation of core business products such as battery exchange and power backup, and cultivated differentiated competitive advantages. Two Wings business recorded a revenue of RMB6,131 million in 2021, up by 55.6% over last year, of which the revenue from Smart Tower business amounted to RMB4,060 million while the revenue from Energy business amounted to RMB2,071 million. The revenue from the Two Wings business accounted for 7.1% of the operating revenue, representing an increase of 2.2 percentage points compared to that of last year.

Revenue from other business

In 2021, the Company provided services such as agent construction for transmission facilities, achieving a revenue from other business of RMB257 million.

3. Operating Expenses

The Company carried out special projects in reducing cost by referencing to benchmarks and enhancing quality and efficiency in a deep-going way, continuously improved the delicate management system of individual site and individual project, and promoted the application of intelligent management tools such as intelligent operation and maintenance. As a result, the cost utilization efficiency continued to improve. In 2021, the operating expenses were RMB73,550 million, up by 6.5% over last year. The operating expenses accounted for 84.9% of the operating revenue, representing a decrease of 0.3 percentage point compared to that of last year.

The table below summarises the change in the composition of the Company's operating expenses for the years of 2021 and 2020 on a comparable basis:

(RMB million)	**2021** Total amount	**2021** Proportion in operating revenue	2020 Total amount	2020 Proportion in operating revenue
Operating Expenses	**73,550**	**84.9%**	69,087	85.2%
Of which: Depreciation and amortisation	**49,982**	**57.7%**	47,515	58.6%
Repairs and maintenance expenses	**5,796**	**6.7%**	5,805	7.2%
Employee benefits and expenses	**6,875**	**7.9%**	6,115	7.5%
Site operation and support expenses	**5,161**	**6.0%**	4,627	5.7%
Other operating expenses	**5,736**	**6.6%**	5,025	6.2%

(Expressed in RMB unless otherwise indicated)

Depreciation and amortisation

In 2021, the depreciation and amortisation amounted to RMB49,982 million, up by 5.2% over the last year, of which amortisation of right-to-use assets amounted to RMB11,379 million, up by 0.4% over the last year. Benefiting from the transformation of construction model and the efficient use of existing and idle resources, the proportion of depreciation and amortisation decreased to 57.7% of the operating revenue from 58.6% in last year.

Repairs and maintenance expenses

In 2021, the Company worked with clients to carry out special actions to lower costs and improve quality in respect of repairs and maintenance expenses and other costs, strengthened and promoted intelligent construction, the standardized management of precise order and operations, to ensure effective control of repairs and maintenance expenses. Repairs and maintenance expenses were RMB5,796 million for the full-year, down by 0.2% over last year.

Employee benefits and expenses

In 2021, the Company strengthened the performance-oriented remuneration allocation and promoted the distribution of resources to outstanding talents and key frontline positions. Employee benefits and expenses for the year amounted to RMB6,875 million, up by 12.4% over last year, of which the reversal of amortised cost of restricted shares accrued in previous periods totaled RMB285 million. Excluding the impact of amortised cost of restricted shares, corporate social insurance reductions and exemptions during the 2020 pandemic and the Company's increase in headcount and capital to support business development, employee benefits and expenses increased by 7.0% year-on-year.

Site operation and supporting expenses

In 2021, the Company continued to strengthen its site retention and operation capabilities, enhanced site operation monitoring, maintenance management and revitalisation work, and gave full play to the value of site resources. For the year, the Company accumulatively incurred RMB5,161 million of site power generation fees, short-term site lease charges, monitoring traffic fees, IT supporting service fees and site planning and maintenance fees related to site operation, representing an increase of RMB534 million over last year, increased by 11.5% year-on-year.

Other operating expenses

In 2021, other operating expenses were RMB5,736 million, up by RMB711 million or 14.1% over last year. Driven mainly by the rapid growth of the Two Wings business, the business development costs including supporting service expenses and marketing expenses for the Two Wings business increased by RMB556 million over last year.

4. Finance Costs

Adhering to a prudent financing strategy, the Company actively expanded low-cost financing channels and optimized the structure of interest-bearing liabilities while enhancing centralized fund management. As of the end of 2021, the Company had interest-bearing liabilities of RMB101,304 million, down by RMB11,567 million over last year. The Company's net finance costs amounted to RMB3,723 million in 2021, down by 5.1% over last year.

5. Profitability

Operating profit and EBITDA

In 2021, the Company's operating profit amounted to RMB13,035 million, up by 8.5% over last year; the EBITDA amounted to RMB63,017 million, increased by 5.9% over last year, and accounting for 72.8% of the operating revenue.

Net profit

In 2021, profit attributable to owners of the Company amounted to RMB7,329 million, up by 14.0% over last year. The Company's basic earnings per share for 2021 was RMB0.0419.

6. Capital Expenditures and Cash Flow

Capital expenditures

In 2021, the company actively supported the 5G network construction and business expansion of the Two Wings business, and strengthened the control of total investment and the evaluation of project economic benefits. Affected by related factors such as the decreased in the demand of operators' 4G needs and structural changes in company construction, the annual capital expenditures amounted to RMB25,192 million, decreased by 32.1% over last year. Among them, the capital expenditure for new site construction and shared renovation was RMB15,996 million, decreased by 38.3% over last year; the capital expenditure for site renovation was RMB3,679 million, basically the same as last year; the capital expenditure for Smart Tower business and Energy business facilities was RMB3,034 million, decreased by 10.1% over last year.

The table below summarises the major items of the Company's capital expenditures in 2021 and 2020.

(RMB million)	**2021** Total amount	**2021** Proportion	2020 Total amount	2020 Proportion
Capital expenditures	**25,192**	**100.0%**	37,122	100.0%
Of which: New site construction and augmentation	**15,996**	**63.5%**	25,924	69.8%
Site replacement and improvement	**3,679**	**14.6%**	3,732	10.1%
Facilities for Smart Tower business and Energy business	**3,034**	**12.0%**	3,373	9.1%
IT support and purchase of comprehensive building for production	**2,483**	**9.9%**	4,093	11.0%

Operating cash flow and free cash flow

In 2021, the Company had net cash generated from operating activities of RMB60,503 million. Free cash flow, after deducting the capital expenditures, was RMB35,311 million.

7. Balance Sheet Status

As at the end of 2021, the Company's total assets were RMB323,259 million while the total liabilities were RMB133,905 million, of which the net debts amounted to RMB94,833 million. The liabilities to assets ratio was 41.4%, and the gearing ratio was 33.4%.

Focus on

Battery Exchange and Power Backup

Energy Business revenue grew

121.5%

Profiles of Directors, Supervisors and Senior Management

Mr. Zhang Zhiyong 張志勇 | Director

Aged 56, has been an executive Director and chairman of the Board since September 2021. Mr. Zhang served as a non-executive Director from May 2018 to September 2021. He 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. Mr. Zhang 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, general manager from January 2008 to June 2010, and chairman of the board and executive director from March 2018 to September 2021. He successively served in several positions with China Telecom, including general manager of Xinjiang Branch from June 2010 to March 2014, general manager of Beijing Branch from March 2014 to November 2017, and executive vice president from July 2018 to September 2021. He was the vice president of CTC from November 2017 to September 2021 and the general counsel of CTC from April 2021 to September 2021.

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. Gu Xiaomin 顧曉敏 | Director

Aged 58, has been an executive Director since July 2019, the general manager of the Company since June 2019 and the general counsel of the Company since June 2021. 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 with an EMBA degree, from the Australian National University in December 2003 with a master's degree of international management and from Rennes School of Business, France in June 2008 with a doctor's degree of business administration. Mr. Gu was recognized as a senior engineer in September 1998 by Ministry of Posts and Telecommunications.

Mr. Gao Tongqing 高同慶 | Director

Aged 58, has been a non-executive Director since October 2020. Mr. Gao previously served as a deputy director general of Xinjiang Uygur Autonomous Region Posts and Telecommunications Administration, a deputy general manager and general manager of Xinjiang Uygur Autonomous Region Telecom Company, the general manager of China Telecom Jiangsu branch, a vice president of CTC, and an executive director and executive vice president of China Telecom. Mr. Gao also serves as a vice president of CMCC, a vice president of China Mobile, a director and vice general manager of China Mobile Company, a non-executive director of CCS, and a non-executive director and vice chairman of True Corporation Public Company Limited.

Mr. Gao graduated from the Changchun Institute of Posts and Telecommunications with a major in telecommunications engineering and received a doctorate degree in business administration from the Hong Kong Polytechnic University. Mr. Gao has extensive experience in management and the telecommunications industry.

Mr. Mai Yanzhou 買彥州 | Director

Aged 53, has been a non-executive Director since May 2020. Mr. Mai previously served as deputy general manager of Guangdong Branch of China Network Communications Group Corporation, deputy general manager of Guangdong Branch, the general manager of Fujian Branch, as well as the general manager of Liaoning Branch of China Unicom. Mr. Mai served as a Delegate to the 12th National People's Congress. Mr. Mai also serves as a non-executive director and the deputy chairman of the board of PCCW Limited (listed on the Hong Kong Stock Exchange with an American Depositary Receipts trading on OTC Markets Group Inc.), a non-executive director of China Communications Services Corporation Limited (listed on the Hong Kong Stock Exchange), a non-executive director of HKT Limited (HKT Trust and HKT Limited are listed on the Hong Kong Stock Exchange), an executive director of China Unicom (Hong Kong) Limited and HKT Management Limited (the trustee-manager of the HKT Trust), vice general manager of China United Network Communications Group Company Limited, senior vice president of China United Network Communications Limited as well as director and senior vice president of China United Network Communications Corporation Limited.

Mr. Mai graduated from Zhengzhou University in 1991 and obtained a master's degree in electronics and information engineering from Beijing University of Posts and Telecommunications in 2002. He is a professor level senior engineer.

Profiles of Directors, Supervisors and Senior Management

Mr. Liu Guiqing 劉桂清 | Director

Aged 55, has been a non-executive Director since January 2022. Mr. Liu previously served as a deputy general manager and the general manager of China Unicom Hunan branch and the general manager of China Unicom Jiangsu provincial branch. He currently serves as a vice president of CTC, an executive director and executive vice president of China Telecom. Mr. Liu also serves as a deputy director general of China Institute of Communications and a director of Global System for Mobile Communications Association (GSMA).

Mr. Liu received a doctorate degree in engineering science from National University of Defense Technology and is a professor level senior engineer. Mr. Liu has extensive experience in management and the telecommunications industry.

Mr. Zhang Guohou 張國厚 | Director

Aged 59, has been an independent non-executive Director since January 2022. Mr. Zhang successively served in the finance office and finance department of Northeast Power Corporation from September 1986 to May 1999 and as a vice chief accountant and head of finance department of Northeast Branch of State Power Corporation of China from May 1999 to March 2000. He successively served in several positions with GD Power Development Co., Ltd. from March 2000 to January 2001, including the chief accountant, and chief accountant and board secretary. He served as a vice general manager of finance and equity management department of State Power Corporation of China from January 2001 to January 2003, and successively served in several positions with State Grid Corporation of China from January 2003 to January 2006, including the head of finance department and head of fund management center, and the chief financial advisor. Mr. Zhang successively served as the chief accountant and a vice general manager of China GuoDian (Group) Corporation from January 2006 to November 2017. He also served as a director and an audit committee member of GD Power Development Co., Ltd. from November 2007 to February 2020. Mr. Zhang served as a member of the senior management of China Energy Investment Corporation from November 2017 to September 2020, and a director of China Huadian Corporation Ltd. from September 2020 to October 2021.

Mr. Zhang graduated from Shenyang Electric Power School (merged into Shenyang Institute of Technology) majored in automation of thermodynamic process and obtained a master's degree in economics from Renmin University of China. Mr. Zhang is qualified as a senior accountant. He has more than 30 years of experience in accounting and has accumulated extensive experience in financial management and asset restructuring.

Mr. Deng Shiji 鄧實際 | Director

Aged 67, has been an independent non-executive Director since May 2020. Mr. Deng also serves as an external director of China National Nuclear Corporation. He successively served in government departments including the Personnel Section of Surveying and Mapping Institute of the Beijing Municipal Bureau of Planning, the Enterprise Bureau of the State Economic Commission, the Enterprise Department of the National Economic System Reform Commission, the Enterprise Management Department of the State Planning Commission, the Enterprise Bureau of Production Office of the State Council and the Enterprise Department of the Economic and Trade Office of the State Council from August 1983 to June 1994. He then successively served as the division head of the Labor Distribution Division of the Enterprise Department, a deputy director of the Enterprise Department, and a deputy director of the Enterprise Reform Department of the State Economic and Trade Commission from June 1994 to May 2003, and a deputy chief and the chief of the Enterprise Reorganization Bureau (National Enterprise Merger and Bankruptcy Office) of the State-owned Assets Supervision and Administration Commission of the State Council from May 2003 to December 2008. Mr. Deng successively held several senior management positions, including as a director, in the State Development & Investment Corp., Ltd. from December 2008 to his retirement in December 2014.

Mr. Deng obtained a bachelor's degree in economics from Beijing College of Economics in 1983 and is qualified as a senior economist.

Mr. Hu Zhanghong 胡章宏 | Director

JP, aged 53, has been an independent non-executive Director since January 2022. Mr. Hu obtained his doctorate degree in economics from Zhongnan University of Economics and Law and is a Senior Economist in PRC. Mr. Hu has many years of experience serving at the senior level in financial institutions. Mr. Hu also holds various social positions, which include the co-chairman of the VC/PE Committee of the Investment Association of China, a director of the Hong Kong Financial Services Development Council, the honorary life chairman of Chinese Financial Association of Hong Kong, the chairman of China Mergers and Acquisitions Association (Hong Kong), a member of the Resolvability Review Tribunal of the Government of Hong Kong, a member of Hong Kong Academy of Finance, and a member of the Belt and Road & Greater Bay Area Committee of Hong Kong Trade Development Council. Mr. Hu had also held positions including the chairman and president of CCB International (Holdings) Limited, the chairman of CCBI Metdist Global Commodities (UK) Limited, the chairman-in-office of China Mergers & Acquisitions Association, a director of China Construction Bank (Asia) Corporation Limited, a member of the Process Review Panel for the Securities and Futures Commission of Hong Kong, and a member of the Securities and Futures Appeals Tribunal of Hong Kong. Mr. Hu has been an independent non-executive director of Towngas China Company Limited since November 2021.

Supervisors

Ms. Fan Xiaoqing 范曉青 | Supervisor

Aged 53, has been the Chairman of the Supervisory Committee since January 2022, and a Supervisor since April 2021. Ms. Fan served as general manager of the Guizhou branch of the Company from September 2014 to August 2016, party secretary and general manager of the Guizhou branch of the Company from August 2016 to December 2017, party secretary and general manager of the Beijing branch of the Company from December 2017 to November 2020, and director of the division of party and masses' affairs and secretary of the directly-affiliated Party Committee of the Company from November 2020 to December 2020. She has been vice chairman of the labor union, director of the division of party and masses' affairs, and secretary of the directly-affiliated Party Committee of the Company since December 2020. She successively served in several positions with Guizhou Mobile Communication Co., Ltd., including director of the planning and construction department from August 1999 to December 2000, and deputy general manager, member of the leading party members' group and director from December 2000 to August 2004. She served as director, deputy general manager, member of the leading party members' group of China Mobile Group Guizhou Co., Ltd. and general manager of Guizhou Communication Service Co., Ltd. from August 2004 to September 2014.

Ms. Fan graduated from Beijing Institute of Posts and Telecommunications (currently known as Beijing University of Posts and Telecommunications) in July 1989 with a bachelor's degree of wireless communications and received a master's degree of information communication management from BI Norwegian Business School-Fudan University in May 2004. Ms. Fan is qualified as a senior engineer.

Mr. Liu Wei 劉巍 | Supervisor

Aged 46, has been a Supervisor since January 2022. Mr. Liu previously served as a deputy manager of accounting division in the finance department of China Mobile Communications Corporation, the acting president for finance and the general manager of finance department of China Mobile Hong Kong Company Limited, the manager of tax management division of China Mobile Communications Corporation, a director, a deputy general manager and the chief accountant of China Mobile Group Xizang Co., Ltd., a director of China Mobile Group Beijing Co., Ltd., and a director and general manager of China Mobile Group Finance Co., Ltd. Mr. Liu currently serves as the general manager of the internal audit department of CMCC and a director of China Mobile Group Finance Co., Ltd.

Mr. Liu graduated from Tsinghua University majored in business administration and obtained a master's degree. Mr. Liu is a member of the Chinese Institute of Certified Public Accountants.

Mr. Li Zhangting 李張挺 | Supervisor

Aged 51, has been a Supervisor since October 2020. Mr. Li served as a director of the Company from July 2014 to May 2018. Mr. Li served in CUC from January 1999 to July 2020 successively as a deputy manager of operation and finance division, a manager of budget and management division and a deputy general manager of plan and finance department, a deputy general manager of finance department, the general manager of finance department and the general manager of remainder enterprise management department, and the general manager of Hubei Branch. He has been the general manager of auditing department of CUC since July 2020.

Mr. Li graduated from department of management engineering of Beijing Institute of Posts and Telecommunications (currently known as Beijing University of Posts and Telecommunications) and majored in postal communication management in July 1992. He graduated from department of management engineering of Beijing University of Posts and Telecommunications with a master's degree in economics and majored in transportation economics in May 1995 and received a master's degree in business administration from Tsinghua University in January 2006. Mr. Li is a senior accountant.

Ms. Han Fang 韓芳 | Supervisor

Aged 48, has been a Supervisor since January 2022. Ms. Han previously served as a supervisor of China Telecom, the chief financial officer of China Telecom Global Limited, the deputy managing director of audit department of both CTC and China Telecom. Ms. Han served as a supervisor and the chairperson of the supervisory committee of CCS from December 2015 to December 2021. Ms. Han currently serves as the managing director of audit department of both CTC and China Telecom.

Ms. Han graduated from Beijing University of Posts and Telecommunications in 1995 with a bachelor's degree in engineering management, and received a master's degree in business administration from the BI Norwegian School of Management in 2007. Ms. Han is an international internal auditor, a member of the Chinese Institute of Certified Public Accountants and a senior accountant. She has extensive experience in operation management and financial management in the telecommunications industry.

Ms. Li Tienan 李鐵南 | Supervisor

aged 52, has been a Supervisor since July 2019. Ms. Li served at the Pre-trial Division of Shenyang Public Security Bureau of Liaoning Province from August 1992 to December 1999. She served as a lawyer of Jinde Law Firm from December 1999 to December 2002, a 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 successively served in several positions with China Reform Asset Management Co., Ltd., including the deputy general manager from March 2019 to February 2020, the general manager from February 2022 to December 2021 and the general counsel from September 2020 to December 2021, the general manager of asset management of China Reform Holdings Corporation Ltd. from April 2021 to December 2021, the vice supervisor of asset allocation department of China Reforms since December 2021. Ms. Li has served as a director of Guoxin Ronghui Equity Investment Fund Management Co., Ltd. since March 2019, a supervisor of China Railway Signal & Communication Corporation Limited since February 2020, the legal representative, executive director and general manager of China Reform Shengkang Private Equity Management (Beijing) Co., Ltd. since December 2020, and a director of Zhongjin Gold Corp., Ltd. since March 2021.

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 55, 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 55, 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 59, 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 52, 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 51, 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.

Ms. Liu Qingzhou 劉輕舟 | Senior Management

Aged 43, has been the secretary to the Board of the Company since May 2018 and the general manager of finance department of the Company since December 2019. Ms. Liu served as senior director of general affairs department and general manager of corporate development department since she joined the Company in November 2014. She successively served as a deputy manager of investment analysis division and a manager of general administration division of overseas investment management department of China Mobile Communications Corporation from September 2007 to November 2014.

Mr. Liu graduated from Renmin University of China with a doctorate degree in economics and is qualified as a senior economist.

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 2021.

Principal Businesses

The principal activities of the Group are the construction, maintenance and operation of telecommunications towers and auxiliary facilities, public network coverage for high-speed rail and subway, and large-scale indoor distributed antenna systems. In addition, relying on its unique resources, the Group also provides information application and energy application services including power exchange and back-up to the public. The Group's headquarters are located in Beijing, China with 31 provincial branches operating across mainland China.

Results

Results of the Group for the year ended 31 December 2021 and the financial position of the Group as at that date are set out in the audited consolidated financial statements on pages 100 to 170 of this annual report.

Annual General Meeting

The Company will hold the 2021 AGM on 11 May 2022. Please refer to the notice of the 2021 AGM published 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 factors 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 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 RMB0.02624 (pre-tax) per share for the year ended 31 December 2021. The dividend proposal will be proposed to the 2021 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 2022 upon approval at the 2021 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 2021 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 2021 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 23 May 2022.

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 23 May 2022. 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 17 May 2022. 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 (Cai Shui [2014] No. 81) 《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(財稅[2014]81號)》" and "Notice on Taxation Policies for Shenzhen-Hong Kong Stock Connect Pilot Programme (Cai Shui [2016] No. 127) 《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(財稅[2016]127號)》", 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 the 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 2021 AGM (and any adjournment thereof), and entitlement to the 2021 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 2021 AGM (and any adjournment thereof)

Latest time to lodge transfer documents for registration	4:30 p.m. on 3 May 2022
Closure of register of members (both inclusive)	4 May 2022 to 11 May 2022
Record date	11 May 2022

(2) For ascertaining the H Shareholders' entitlement to the 2021 final dividend

Latest time to lodge transfer documents for registration	4:30 p.m. on 17 May 2022
Closure of register of members (both inclusive)	18 May 2022 to 23 May 2022
Record date	23 May 2022

During the above closure periods, no transfer of H shares will be registered. To be eligible to attend and vote at the 2021 AGM, and to qualify for the 2021 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 the date of this report:

Name	Position	Date of the first appointment as a Director
Zhang Zhiyong	Chairman of the Board and executive Director	3 May 2018
Gu Xiaomin	General manager and executive Director	31 July 2019
Gao Tongqing	Non-executive Director	13 October 2020
Mai Yanzhou	Non-executive Director	21 May 2020
Liu Guiqing	Non-executive Director	14 January 2022
Zhang Guohou	Independent non-executive Director	14 January 2022
Deng Shiji	Independent non-executive Director	21 May 2020
Hu Zhanghong	Independent non-executive Director	14 January 2022

On 30 September 2021, Mr. Tong Jilu resigned from his positions as an executive Director and chairman of the Board by reason of age.

On 30 September 2021, Mr. Zhang Zhiyong was re-designated by the Board from a non-executive Director to an executive Director and was appointed as the chairman of the Board.

On 14 January 2022, the Company held the 2022 First EGM to elect members of the third session of the Board; Mr. Fan Cheng and Mr. Tse Yung Hoi no longer served as independent non-executive Directors; Mr. Zhang Zhiyong and Mr. Gu Xiaomin were re-elected as executive Directors; Mr. Gao Tongqing and Mr. Mai Yanzhou were re-elected as non-executive Directors; Mr. Deng Shiji was re-elected as an independent non-executive Director; Mr. Liu Guiqing was elected as a non-executive Director; Mr. Zhang Guohou and Mr. Hu Zhanghong were elected as independent non-executive Directors.

The Company has received annual independent confirmations from each of Mr. Fan Cheng, Mr. Tse Yung Hoi and Mr. Deng Shiji, being the independent non-executive Directors during the year ended 31 December 2021, pursuant to Rule 3.13 of the Listing Rules. Mr. Zhang Guohou and Mr. Hu Zhanghong have also confirmed to the Company, upon their appointments as independent non-executive Directors, that they comply with the independence requirement under Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors are independent.

Supervisors of the Company

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

Name	Position	Date of the first appointment as a Supervisor
Fan Xiaoqing	Chairman of the Supervisory Committee and employee representative Supervisor	14 April 2021
Liu Wei	Shareholder representative Supervisor	14 January 2022
Li Zhangting	Shareholder representative Supervisor	13 October 2020
Han Fang	Shareholder representative Supervisor	14 January 2022
Li Tienan	Shareholder representative Supervisor	31 July 2019
Wang Hongwei	Employee representative Supervisor	3 May 2018

On 14 April 2021, Mr. Li Wenmin ceased to hold his positions as an employee representative Supervisor and the chairman of the Supervisory Committee due to the adjustment in work responsibilities.

On 14 April 2021, Ms. Fan Xiaoqing was elected and Mr. Wang Hongwei was re-elected as employee representative Supervisors following the election at the employee representative meeting of the Company.

On 14 January 2022, the Company held the 2022 First EGM to elect members of the third session of the Supervisory Committee; Ms. Gao Lingling and Mr. Sui Yixun no longer serves as Supervisors; Mr. Li Zhangting and Ms. Li Tienan were re-elected as shareholder representative Supervisors; Mr. Liu Wei and Ms. Han Fang were elected as shareholder representative Supervisors.

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 the 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 (the "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 Hong Kong Stock Exchange 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 2021, 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 and its wholly-owned subsidiary	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 2021, 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 2021, 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 Company[2]	Legal and beneficial owner	Domestic shares	49,150,953,709(L)	38.0%	27.9%
CUC[3]	Interest held by controlled corporations	Domestic shares	36,345,836,822(L)	28.1%	20.7%
China Unicom A Share Company[3]	Interest held by controlled corporations	Domestic shares	36,345,836,822(L)	28.1%	20.7%
China Unicom Group Corporation (BVI) Limited (中國聯通集團(BVI)有限公司)[3]	Interest held by controlled corporations	Domestic shares	36,345,836,822(L)	28.1%	20.7%
China Unicom (BVI) Limited (中國聯通(BVI)有限公司)[3]	Interest held by controlled corporations	Domestic shares	36,345,836,822(L)	28.1%	20.7%
China Unicom[3]	Interest held by controlled corporations	Domestic shares	36,345,836,822(L)	28.1%	20.7%

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 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[5]	Legal and beneficial owner/Interest held by controlled corporations	Domestic shares	7,760,676,901(L)	6.0%	4.4%
Citigroup Inc.	Interest held by controlled corporations/approved lending agent	H shares	3,879,417,314(L) 115,348,846(S) 3,762,664,887(P)	8.31% 0.24% 8.06%	2.20% 0.07% 2.14%
GIC Private Limited	Investment manager	H shares	3,267,502,000(L)	7.00%	1.86%
BlackRock, Inc.	Interest held by controlled corporations	H shares	2,877,289,973 (L) 163,298,000 (S)	6.17% 0.35%	1.63% 0.09%

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) China Reform directly holds 4,000,676,901 domestic Shares, and 3,760,000,000 domestic Shares are held through its wholly-owned subsidiary, Davo Qihang.

Save as disclosed above, as at 31 December 2021, 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 Shares granted under the First Tranche and the Second Tranche of the Initial Grant entered the first unlocking period in 2021. As the operating revenue of the Group for the year of 2020 did not reach the target set out in the conditions for unlocking the restricted shares, such conditions for unlocking were not fulfilled and therefore the relevant Restricted Shares cannot be unlocked according to the terms and conditions of the Restricted Share Incentive Scheme. The interest of relevant scheme participants in such Restricted Shares have been bought out by the trustee or other third parties at the grant price in accordance with the terms of the Restricted Share Incentive Scheme and the laws and regulations.

The Restricted Shares granted under the First Tranche and the Second Tranche of the Initial Grant entered the second unlocking period in 2022. As the operating revenue of the Group for the year of 2021 did not reach the target set out in the conditions for unlocking the Restricted Shares, such conditions for unlocking were not fulfilled and therefore the relevant Restricted Share cannot be unlocked according to the terms and conditions of the Restricted Share Incentive Scheme. The interest of relevant scheme participants in such Restricted Shares will be bought out by the trustee or other third parties at the grant price in accordance with the terms of the Restricted Share Incentive Scheme and the laws and regulations. Details of the financial impact of the failure to unlock Restricted Shares are set out in note 25 to the audited consolidated financial statements for the year.

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 2021, 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
Gu Xiaomin	Beneficiary of a trust	H shares	930,000 (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.

In May 2019, Mr. Gu Xiaomin accepted 1,550,000 Restricted Shares granted by the Company in April 2019 under the Initial Grant of the Restricted Share Incentive Scheme. In addition, the spouse of Mr. Li Zhangting, a Supervisor, held 550,000 Restricted Shares granted by the Company under the Initial Grant of the Restricted Share Incentive Scheme. The trustee of the Restricted Share Incentive Scheme completed the purchase of shares from the secondary market in May 2020, but these shares cannot be traded in the lock-up period. 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.

As disclosed above, the Restricted Shares granted under the Initial Grant failed to be unlocked for the first unlocking period. The interests of relevant Scheme Participants in such Restricted Shares have been bought out by the trustee or other third parties at the grant price in accordance with the terms of the Restricted Share Incentive Scheme and the laws and regulations, including the interests of 40% of the Restricted Shares granted to each of Mr. Gu Xiaomin and the spouse of Mr. Li Zhangting, a Supervisor. As at 31 December 2021, Mr. Gu Xiaomin and the spouse of Mr. Li Zhangting held 930,000 and 330,000 Restricted Shares, respectively.

Save as described above, as at 31 December 2021, 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", "Continuing Connected Transactions", "Restricted Share Incentive Scheme" and "Directors', Supervisors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company" under "Report of the Directors" of this annual report and note 34 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 2021.

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 2021 are set out in note 7 to the audited consolidated financial statements for the year.

Permitted Indemnity

During the year ended 31 December 2021 and as at date 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 2021, 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 2021 are set out on pages 171 to 172 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 26 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 26 to the audited consolidated financial statements for the year.

Capitalized Interest

Details of capitalized interest of the Group for the year ended 31 December 2021 are set out in note 11 to the audited consolidated financial statements for the year.

Fixed Assets

Details of the movement in fixed assets of the Group for the year ended 31 December 2021 are set out in note 14 to the audited consolidated financial statements for the year.

Reserves

According to the Article 158 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 2021, calculated on the above basis and including the proposed final dividends for 2021, amounted to RMB6,598 million.

Details of the movement in reserves of the Company and the Group for the year ended 31 December 2021 are set out in note 33 and note 24 to the audited consolidated financial statements for the year, respectively.

Equity-linked Agreements

For the year ended 31 December 2021, the Company has not entered into any equity-linked agreements.

Donations

For the year ended 31 December 2021, the Group made charitable and other donations of a total amount of RMB20 million.

Subsidiaries and Associated Company

Details of subsidiaries of the Company and the associated company of the Group as at 31 December 2021 are set out in note 18 and note 19 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 102 to 103 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 2021, the Group had approximately 23,300 staff, of which approximately 20,500 staff were on contract basis while approximately 2,800 staff were on other basis. Total staff costs for the year amounted to RMB6,875 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 2021, the revenue from providing services to the Group's five largest customers (including CMCC Group, CTC Group and CUC Group) accounted for 93.6% of total revenue of the Group for the full-year, while revenue from the largest customer accounted for 48.9% of total revenue of the Group for the full-year.

For the year ended 31 December 2021, procurements from the Group's five largest suppliers were less than 30% of total procurement expenditures and expenses of the Group for the year. 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, 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. Gao Tongqing, Mr. Mai Yanzhou, Mr. Liu Guiqing Mr. Liu Wei, Mr. Li Zhangting, Ms. Han Fang (their positions are set out in "Profiles of Directors, Supervisors and Senior Management" of this annual report), Ms. Gao Lingling and Mr. Sui Yixun, 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 2021 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 2018-2022 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 2018-2022 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 2021

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 2018-2022 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 2021 (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	39,071
	(2) DAS products	2,175
	(3) transmission products	42
	(4) service products	830
	Total	**42,118**
	Year ended balance of the advances made by the Group in relation to services of paying electricity fee on behalf of customer	2,120
A.2.	Transaction amount of the principal services provided to China Unicom Corporation	
	Revenue generated by the Group	
	(1) tower products	17,255
	(2) DAS products	950
	(3) transmission products	28
	(4) service products	164
	Total	**18,397**
	Year ended balance of the advances made by the Group in relation to services of paying electricity fee on behalf of customer	737

		Transaction amounts in 2021 (RMB in million)
A.3.	Transaction amount of the principal services provided to China Telecom	
	Revenue generated by the Group	
	(1) tower products	18,446
	(2) DAS products	1,191
	(3) transmission products	41
	(4) service products	188
	Total	**19,866**
	Year ended balance of the advances made by the Group in relation to services of paying electricity fee on behalf of customer	544

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

2021-2023 Property Lease Framework Agreements with each of the Telecom Group Companies

The Company entered into the 2021-2023 Property Lease Framework Agreements on 19 October 2020 with each of the Telecom Group Companies on substantially the same terms and conditions of the 2018-2020 Property Lease Framework Agreements, respectively, pursuant to which the Group 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 2021-2023 Property Lease Framework Agreements. The terms of substantially all leases under the 2021-2023 Property Lease Framework Agreements are 12 months or less. For details of the 2021-2023 Property Lease Framework Agreements, please refer to the Company's announcement dated 19 October 2020.

Due to the Company's increasing demand for properties with suitable location, price and quality held by CMCC with the Company's business expansion, the Company revised the existing annual caps under the 2021-2023 Property Lease Framework Agreement with CMCC for the three years ending 31 December 2023. The other terms and conditions of the 2021-2023 Property Lease Framework Agreement with CMCC shall remain the same. For details of the revision of the annual caps for the 2021-2023 Property Lease Framework Agreement with CMCC, please refer to the Company's announcement dated 19 October 2021.

Services Provided

Pursuant to the 2021-2023 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 2021-2023 Property Lease Framework Agreements are valid from 1 January 2021 to 31 December 2023 and are renewable upon mutual agreement of both parties.

Pricing Policy

Under the 2021-2023 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 reasonable profits and in other applicable method (if any);

- 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 reasonable profits and in other reasonable method (if any);

- during the leasing term of 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 2021

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 2021 (RMB in million)	Transaction amounts in 2021 (RMB in million)
Office buildings	Rents	N/A	1
	Management fees	N/A	1
	Subtotal	**15**	**2**
Sites	Rents	275	193
	Subtotal	**275**	**193**
Total		**290**	**195**

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

		Annual caps for 2021 (RMB in million)	Transaction amounts in 2021 (RMB in million)
Office buildings	Rents	N/A	14
	Management fees	N/A	10
	Subtotal	**30**	**24**
Sites	Rents	90	26
	Subtotal	**90**	**26**
Total		**120**	**50**

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

		Annual caps for 2021 (RMB in million)	Transaction amounts in 2021 (RMB in million)
Office buildings	Rents	N/A	–
	Management fees	N/A	41
	Subtotal	**50**	**41**
Sites	Rents	150	123
	Subtotal	**150**	**123**
Total		**200**	**164**

The Company has adopted the IFRS 16 "Lease" on 1 January 2019. Under IFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. However, as allowed under IFRS 16, the Company has elected not to recognise right-of-use assets and lease liabilities for lease that at the commencement date have a lease term of 12 months or less and thus recognises the lease payments associated with such leases as an expense on a straightline basis over the lease term. As the terms of substantially all leases under the 2021-2023 Property Lease Framework Agreements are 12 months or less, such leases and the property management services to be received by the Company under the 2021-2023 Property Lease Framework Agreements will be continuing connected transactions of the Company and the transaction amounts and proposed annual caps for such transactions represent the amount of rents and management fees to be paid by the Company under the relevant agreements on an annual basis. Where the terms of any leases under the 2021-2023 Property Lease Framework Agreements are longer than 12 months, the Company will recognise right-of-use assets and lease liabilities for such leases.

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

2021-2023 Service Supply Framework Agreements with each of the Telecom Group Companies

The Company entered into the 2021-2023 Service Supply Framework Agreements on 19 October 2020 with each of the Telecom Group Companies, on substantially the same terms and conditions of the 2018-2020 Service Supply Framework Agreements, respectively, pursuant to which each of the Telecom Group Companies and its respective associates will provide construction, design, supervision, outsourcing maintenance, intermediary, supply chain and/or training services to the Group. 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 2021-2023 Service Supply Framework Agreements. As the highest applicable percentage ratio under Rule 14.07 of the Listing Rules for the Proposed Annual Caps of the transactions contemplated under the 2021-2023 Service Supply Framework Agreement with CTC exceeds 5%, the transactions contemplated thereunder are subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under the Listing Rules. The 2021-2023 Service Supply Framework Agreement with CTC together with the Proposed Annual Caps were approved by the Company's independent Shareholders at the 2020 Second EGM held on 4 December 2020. For details of the 2021-2023 Service Supply Framework Agreements, please refer to the Company's announcements dated 19 October 2020 and 4 December 2020 and circular dated 10 November 2020.

Services Provided

The services provided by each of the Telecom Group Companies and their respective associates under the 2021-2023 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 2021-2023 Service Supply Framework Agreements are valid from 1 January 2021 to 31 December 2023 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, depreciation, labor, energy, management cost, financial fees and payable taxes and fees.

In determining the pricing standards, the parties should at least consider two comparable transactions entered into with the Independent Third Parties holding the same qualifications and conditions as those of the Telecom Group Companies and their associates during the same period where practical. The Group shall determine the specific method for providing project design/construction services through bidding or other procurement processes. Telecom Group Companies and their respective associates which participate in the bidding shall have the qualifications and conditions not inferior to those of the Independent Third Parties, and shall participate in the bidding or other procurement processes on equal terms with the Independent Third Parties. In such case, both parties shall determine the pricing in accordance with the final prices agreed in the bidding or other procurement processes.

Annual Caps and Transaction Amounts in 2021

For the financial year ended 31 December 2021, the following non-de minimis continuing connected transactions of the Company has not exceeded the respective caps:

		Annual caps for 2021 (RMB in million)	Transaction amounts in 2021 (RMB in million)
C.1.	Construction, design, supervision, outsourcing maintenance, intermediary, supply chain and training services provided by CMCC and its associates	638	547
C.2.	Construction, design, supervision, outsourcing maintenance, intermediary, supply chain and training services provided by CUC and its associates	580	576
C.3.	Construction, design, supervision, outsourcing maintenance, intermediary, supply chain and training services provided by CTC and its associates	5,638	4,603

D. Site Resource Service Provided to CMCC and its Associates

During the reporting period, the Company provided site resource services to the customers of CMCC 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 2021-2023 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 2021-2023 Site Resource Service Framework Agreement with CMCC exceed 0.1% and all of the relevant percentage ratios are less than 5%, the transactions contemplated under the 2021-2023 Site Resource Service Framework Agreement with CMCC are subject to the reporting, annual review and announcement requirements.

2021-2023 Site Resource Service Framework Agreement with CMCC

The Company entered into the 2021-2023 Site Resource Service Framework Agreement with CMCC on 19 October 2020 on substantially the same terms and conditions of the 2019-2020 Site Resource Service Framework Agreement with CMCC, pursuant to which the Group should provide CMCC and its associates with (i) site resources which enable CMCC 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. For details of the 2021-2023 Site Resource Service Framework Agreement with CMCC, please refer to the Company's announcement dated 19 October 2020.

Service Period

The 2021-2023 Site Resource Service Framework Agreement with CMCC is valid from 1 January 2021 to 31 December 2023 and is renewable upon mutual agreement of the parties.

Pricing Policy

The price for the transactions under the 2021-2023 Site Resource Service Framework Agreement with CMCC 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 CMCC and its associates including specific locations, sizes, quantities and periods, and (ii) the quality, costs and reasonable profits of the services provided by the Group. 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.

To provide services under the 2021-2023 Site Resource Service Framework Agreement with CMCC, the Company has established decision groups within the industry expansion departments at the headquarters and provincial branches. The decision groups would review the proposed projects of the Company, including those transactions contemplated under the 2021-2023 Site Resource Service Framework Agreement with CMCC. In order to ensure the fairness and reasonableness of the service fees, the decision groups shall review, among other, the model of economic benefit assessment. The model includes several indicators such as revenue, cost, investment amount, funds under occupation and expenditure in cash. Where the calculation based on the factors shows that the gross profit margin for the provision of the site resources service could not reach certain levels as prescribed by its internal management measures from time to time, such service could not proceed.

Annual Cap and Transaction Amount in 2021

For the financial year ended 31 December 2021, the amount of the revenue of the Company generated from provision of site resource service to CMCC and its associates of the Company has not exceeded the cap:

	Annual cap for 2021 (RMB in million)	Transaction amount in 2021 (RMB in million)
Revenue of the Company generated from provision of site resource service to CMCC and its associates	240	183

E. Procurement of Materials from CTC and its Associates

The Company entered into the 2020-2021 Materials Procurement Framework Agreement with CTC. As the applicable percentage ratios under Rule 14.07 of the Listing Rules for the annual caps of the transactions contemplated under the 2020-2021 Materials Procurement Framework Agreement with CTC exceed 0.1% and all of the relevant percentage ratios are less than 5%, the transactions contemplated under the 2020-2021 Materials Procurement Framework Agreement with CTC are subject to the reporting, annual review and announcement requirements.

2020-2021 Materials Procurement Framework Agreement with CTC

On 19 October 2020, the Company and CTC entered into the 2020-2021 Materials Procurement Framework Agreement with CTC. The Group adopts a standard process of procurement of products from suppliers which include independent third parties as well as connected persons through its "E-procurement Platform", which provides the information of the suppliers, their products and the prices of the products. Pursuant to the 2020-2021 Materials Procurement Framework Agreement with CTC, the Group will purchase the products from CTC and its associates as listed on its "E-procurement Platform" from time to time. The Group procured and is expected to continue to procure materials from CTC and its associates such as equipment hardware, installation materials, supporting cables, spare parts, related software licenses and technical documents and receive related supporting services provided by them. For details of the 2020-2021 Materials Procurement Framework Agreement with CTC, please refer to the Company's announcement dated 19 October 2020.

Contract Period

The 2020-2021 Materials Procurement Framework Agreement with CTC becomes effective on the date of its execution and expires on 31 December 2021.

Pricing Policy

The prices for the purchase of the materials shall be determined by the contracting parties in accordance with the requirements of relevant state laws and regulations and the relevant management rules of the Group.

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, the parties shall refer to historical prices related to the materials or, collect the information of market prices of such services in the industry through channels such as bids from other providers of similar services and at least consider two comparable transactions entered into with the independent third parties holding the same qualifications and conditions as those of the Telecom Group Companies and their associates during the same period where practical. When neither historical prices nor comparable market transaction prices are available, in order to make sure the prices of services offered are fair and reasonable, the parties shall determine the price based on average profit margin in the market or financial cost margin. Such costs include costs of raw materials, accessories, depreciation, labor, energy, management cost, financial fees and payable taxes and fees.

The Group shall determine the specific type for materials to be procured through bidding or other processes. CTC and its associates which participate in the bidding shall have the qualifications and conditions not inferior to those of the independent third parties, and shall participate in the bidding or other procurement processes on equal terms with the independent third parties. In such case, both parties shall determine the pricing in accordance with the final prices agreed in the bidding or other procurement processes.

If a governmental agency issues a governmental price for the materials to be traded under the agreement during the term of the agreement, the price shall be adjusted with reference to the governmental price.

Annual Cap and Transaction Amount in 2021

For the financial year ended 31 December 2021, the aggregate amount of materials procured from CTC and its associates by the Company has not exceeded the cap:

	Annual cap for 2021 (RMB in million)	Transaction amount in 2021 (RMB in million)
The aggregate amount of materials procured from CTC and its associates by the Company	200	150

Renewal of 2020-2021 Materials Procurement Framework Agreement with CTC

The Company and CTC have entered into the 2022-2023 Materials Procurement Framework Agreement with CTC on 19 October 2021, taking effect from 1 January 2022 and expiring on 31 December 2023. The terms and conditions of the 2022-2023 Materials Procurement Framework Agreement with CTC are substantially the same as the 2020-2021 Materials Procurement Framework Agreement with CTC, pursuant to which, the Group will procure materials from CTC and/or its associates for the purposes of ordinary and usual course of business. For details of the 2022-2023 Materials Procurement Framework Agreement with CTC, please refer to the Company's announcement dated 19 October 2021.

F. Value-Added Service Provided to CTC and its Associates

In light of the increasing transaction amount of value-added services provide by the Group to CTC and/or its associates, the Company and CTC have entered into the 2021-2023 Value-added Service Framework Agreement with CTC on 19 October 2021.

2021-2023 Value-added Service Framework Agreement with CTC

On 19 October 2021, the Company and CTC entered into the 2021-2023 Value-added Service Framework Agreement with CTC. Pursuant to the 2021-2023 Value-added Service Framework Agreement with CTC, the Group should provide CTC and its associates with (i) site resources service and data information service (site resources service includes the provision of site resources which enable CTC and its associates to host non-telecommunications equipment, and provides integrated services to maintain a smooth operation of such equipment, such as equipment installation, site maintenance and power services. Data information service refers to the provision of data collection, data transmission, data storage, data processing, data application and other data and information technology-driven services); (ii) energy service (related services under the energy business provided by the Group to CTC and its associates, including battery exchange service, power backup and generation service, battery charging service and other services); and (iii) integrated and comprehensive outsourcing maintenance service (provision of outsourcing maintenance services by the Group for wireless master facilities, antenna feeder systems, transmission facilities, DAS facilities and related facilities owned by CTC and its associates). For details of the 2021-2023 Value-added Service Framework Agreement with CTC, please refer to the Company's announcement dated 19 October 2021.

Contract Period

The 2021-2023 Value-added Service Framework Agreement with CTC becomes effective on the date of its execution and will expire on 31 December 2023.

Pricing Policy

The prices for the value-added services shall be determined by the contracting parties in accordance with the requirements of applicable laws and regulations of the PRC and the relevant administrative rules of the Group.

Transaction terms, such as services fees, payment schedule and method as well as miscellaneous expenses shall be determined in accordance with relevant market price. If there is no market price, the parties shall refer to historical prices related to the services or, collect the information on market prices of such services in the industry through channels such as from other providers of similar services and consider at least two comparable transactions entered into with the Independent Third Parties holding the same qualifications and conditions as those of the CTC and its associates during the same period where practical. When neither historical prices nor comparable market transaction prices are available, in order to make sure such prices offered are fair and reasonable, the parties shall determine the price based on average profit margin in the market or financial cost margin. The average profit margin in the market and financial cost margin for similar services are analysed based on the information of prices of similar services in the industry through channels such as from other providers. Such costs include costs of raw materials, accessories, depreciation, labor, energy, management cost, financial fees and payable taxes and fees.

To provide services under the 2021-2023 Value-added Service Framework Agreement with CTC, the Company has established decision groups within the industry expansion departments and energy operation departments at the headquarters and provincial branches. The decision groups would review the proposed projects of the Company, including those transactions contemplated under the 2021-2023 Value-added Service Framework Agreement with CTC. In order to ensure the fairness and reasonableness of the service fees, the decision groups shall review, among other, the model of economic benefit assessment. The model includes several indicators such as revenue, cost, investment amount, funds under occupation and expenditure in cash. Where the calculation based on the factors shows that the gross profit margin for providing the service could not reach certain levels as prescribed by its internal management measures from time to time, such service could not proceed.

Annual Cap and Transaction Amount in 2021

For the financial year ended 31 December 2021, the aggregate amount of value-added service provided to CTC and its associates by the Company has not exceeded the cap:

	Annual cap for 2021 (RMB in million)	Transaction amount in 2021 (RMB in million)
The aggregate amount of value-added service provided to CTC and its associates by the Company	250	208

Further details of the above continuing connected transactions are set out in the note 34 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 2021 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 34 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 2021. 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 2021.

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 Smart Tower 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 Group. 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 "2021 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 2021, 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 8 to 15, "Management Discussion and Analysis" on pages 18 to 29 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 2021 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.

The Impact of the Novel Coronavirus

After the outbreak of the Novel Coronavirus Pandemic ("COVID-19 outbreak") in early 2020, the country spared no effort in implementing a series of precautionary and control measures and has successfully controlled the spread of the pandemic. At present, the country has entered a normalized pandemic prevention and control stage. The Company has coordinated efforts to enhance pandemic prevention and control while maintaining daily production and operation. 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.

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 77 to 94 of this annual report.

Material Legal Proceedings

For the year ended 31 December 2021, 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 2021. 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 2022 will be proposed to the 2021 AGM.

By Order of the Board
Chairman
Zhang Zhiyong

Beijing, China
9 March 2022

Report of the Supervisory Committee

In 2021, the Supervisory Committee of China Tower Corporation Limited (hereinafter referred to as the "Company") has conscientiously performed its supervisory duties, actively carried out its work 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.

I. Resolutions of the Supervisory Committee

During the reporting period, the Supervisory Committee of the Company organized and convened five meetings in accordance with relevant rules, reviewed and approved total eight resolutions. Details of the meetings are as follows:

(I) on 5 March 2021, the fifteenth meeting of the second session of the Supervisory Committee was convened in the form of on-site meeting, at which four proposals on the final financial accounts for 2020, the annual results announcement and the annual report for 2020, the proposal on profits distribution and description of dividend distribution for 2020 and the report of Supervisory Committee for 2020 were reviewed and approved as resolutions of the meeting, respectively.

(II) on 19 April 2021, the sixteenth 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 2021 were reviewed and approved.

(III) on 6 August 2021, the seventeenth meeting of the second session of the Supervisory Committee was convened in the form of on-site meeting, at which the proposals of the interim results announcement and the interim report for the period ended 30 June 2021 were reviewed and approved.

(IV) on 19 October 2021, the eighteenth meeting of the second session of the Supervisory Committee was convened in the form of on-site meeting, at which the unaudited financial statements and results announcement for the first three quarters of 2021 were reviewed and approved.

(V) on 22 December 2021, the nineteenth meeting of the second session of the Supervisory Committee was convened in the form of on-site meeting, at which matters in relation to the election of the new session of the Supervisory Committee was reviewed and approved as resolutions of the meeting.

II. Work of the Supervisory Committee

(I) Raising awareness and firmly protecting the rights and interests of Shareholders

During the reporting period, the Supervisory Committee of the Company, guided by the spirit of the resolutions of the general meeting, focused on the general situation of production and operation, transition and development, always correctly understood and analyzed the new situation, new tasks and new requirements faced by the Company in matters related to major decisions and principles of the Company, and firmly protect the rights and interests of Shareholders as a whole, collected and provided feedback to the Board of Directors on reasonable suggestions from Shareholders in a timely manner from the overall perspective of maintaining the Company's reform and development. The Supervisory Committee of the Company established a communication mechanism at the same time, members of whom read the decision-making documents of the Company's meetings in advance, regularly and fully communicated with the Board of Directors and the management on important matters concerning the development of the Company, fully understand important supervisory matters and made comments and suggestions on the work of the Board of Directors. All reasonable comments and suggestions made by the Supervisory Committee in 2021 were adopted.

(II) Strengthening supervision and constantly advancing its self-improvement

During the reporting period, the Supervisory Committee of the Company further strengthened its supervisory functions. On the one hand, it enhanced supervision on the legal compliance of the Company's operations and the performance of duties of the Directors and management of the Company. Members of the Supervisory Committee attended all the general meetings and Board meetings of the Company and conscientiously supervised the procedures and contents of such meetings. On the other hand, it enhanced supervision on the soundness of the Company's financial condition. When listening to and reviewing the financial results of the Company on a quarterly basis, it increased the frequency of daily communication to form a supervision mode of prior communication, intermediate supervision and post-analysis. At the same time, the Supervisory Committee continued to strengthen its self-improvement, optimized the meeting procedures from the system standard, enhanced the efficiency and scientificity of decision making at meetings, paid attention to the smooth supervisory information channels, and further improved the ability of the Supervisory Committee members to perform their duties and responsibilities.

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

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

In 2021, 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 and fully play its leader role in terms of "directing way to go, managing overall situation and promoting implementation" ("把方向、管大局、促落實"). The Directors and senior management of the Company were faithful, devoted and responsible in discharging their duties with overall situation in mind, which leads to a good momentum of the production and operation of the Company, and did not violate the laws, regulations and the Articles of Association or prejudice the interests of the Company. All resolutions of the general meetings were implemented.

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

The Supervisory Committee carefully reviewed the financial report for 2021 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 report gives an objective and true view of the Company's financial condition and operating results, and the Company's financial works are carried out in compliance with laws, with a financial system and accurate financial data.

IV. Work Plan for 2022

In 2022, the Supervisory Committee will continue to carry out standardize operations, diligently perform duties, further improve its ability to perform its responsibilities and duties, and better serve all shareholders.

(I) Strengthen goal orientation and supervise effectively

The Supervisory Committee will earnestly study and understand the development blueprint described in the "14th Five-Year Plan" of the Company, organically connect the work of the Supervisory Committee with the development plan of the Company, and provide support and supervision for the key paths and stage objectives formulated in the plan. The Supervisory Committee will further deepen the understanding on the production and operation development of the Company through on-site research, reports hearing and other manners, timely feedback to the Board of Directors and management on various problems found in the process, and adhere to promoting development through supervision.

(II) Dredge communication channels and collect opinions and suggestions

According to the current situation of the operation and development of the Company, the Supervisory Committee will establish targeted rules and regulations to dredge the communication channels between the Supervisory Committee and all employees and shareholders. For the valid opinions from employees and shareholders, a closed-loop management process of scientific classification, timely assignment and regular feedback shall be formed, so that the opinions from shareholders can be timely transmitted to the Board of Directors and management of the Company.

(III) Strengthen capacity-building to adapt to the development of time

The Supervisory Committee will always place capacity-building on an important position, concentrate on the work requirements and models of the Supervisory Committee under the new situation, and strive to adapt its own ability and quality to the work requirements of shareholders and respond to shareholders' concerns in a timely manner, improve the ability to discover and prevent major business risks and effectively safeguard the rights and interests of shareholders.

By Order of the Supervisory Committee
Chairman of the Supervisory Committee
Fan Xiaoqing

Beijing, China
9 March 2022

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.

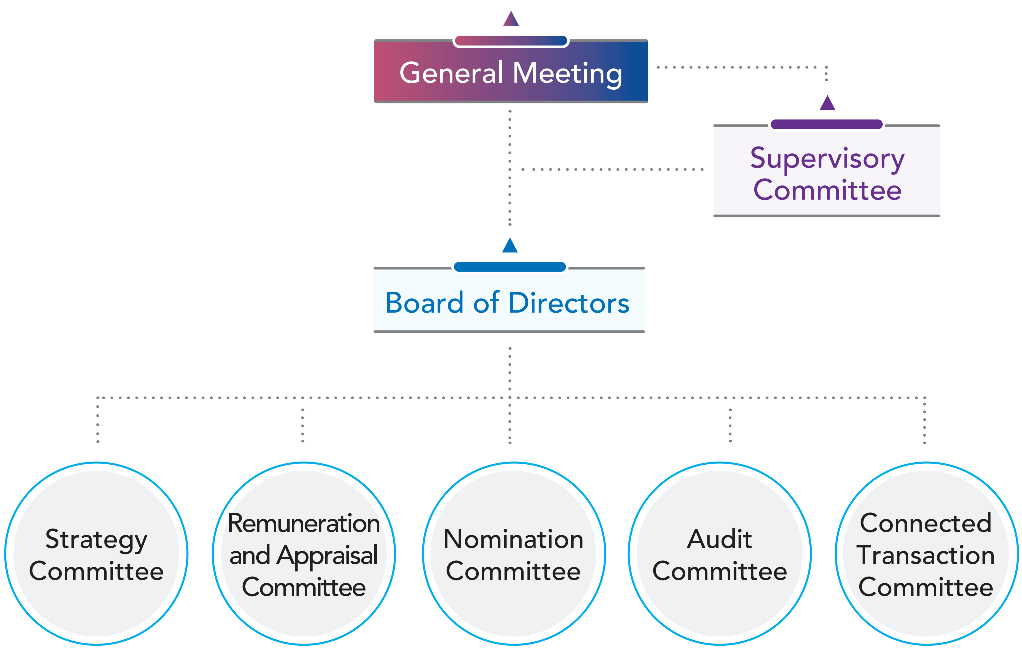
Corporate Governance Practices

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 2021, other than the disclosures made in the sections headed "Composition of the Board" and "Company Secretary" below, 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).

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 20 days (annual general meeting) or 15 days (extraordinary general meetings) before the date of the meeting, and where the laws and regulations (including the Listing Rules) contain any other stricter provisions in respect of the aforementioned matters, such provisions shall prevail. 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 2021, the Company convened one general meeting, which is the 2020 AGM.

At the 2020 AGM held on 12 May 2021, resolutions including but not limited to the Company's consolidated financial statements for 2020, profit distribution and dividend declaration proposal, re-appointment of auditors, change of the Company's registered office, amendments to the Articles of Association and the rules of procedure for the board of directors, general mandate to the Board to issue debt financing instruments denominated in local or foreign currencies and general mandate to the Board to allot, issue 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.

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 2021 AGM will be held in May 2022. 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 59 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 61 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, responsible for formulating strategies, making decisions and preventing risks. The Board 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.

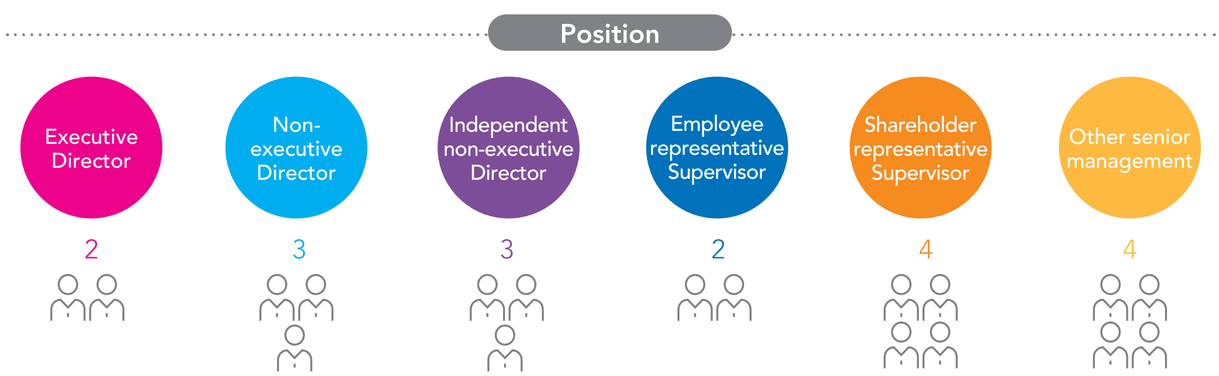
The Board has granted powers and duties to the management to perform the management of daily production and operation, to organize and implement the resolutions of the Board and the annual operation plan and investment proposal, to propose the establishment proposal of the internal management departments, 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

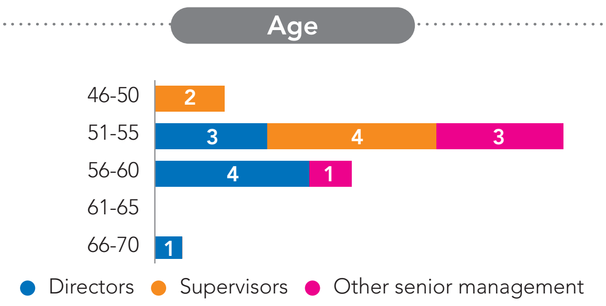
As at the date of this report, the third session of the Board of the Company comprised eight Directors including:

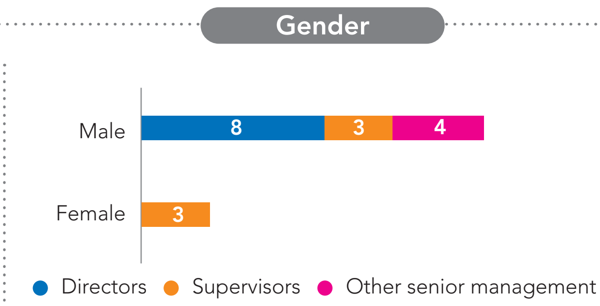
Executive Directors	Non-executive Directors	Independent non-executive Directors
• Zhang Zhiyong (Chairman)	• Gao Tongqing	• Zhang Guohou
• Gu Xiaomin (General Manager)	• Mai Yanzhou	• Deng Shiji
	• Liu Guiqing	• Hu Zhanghong

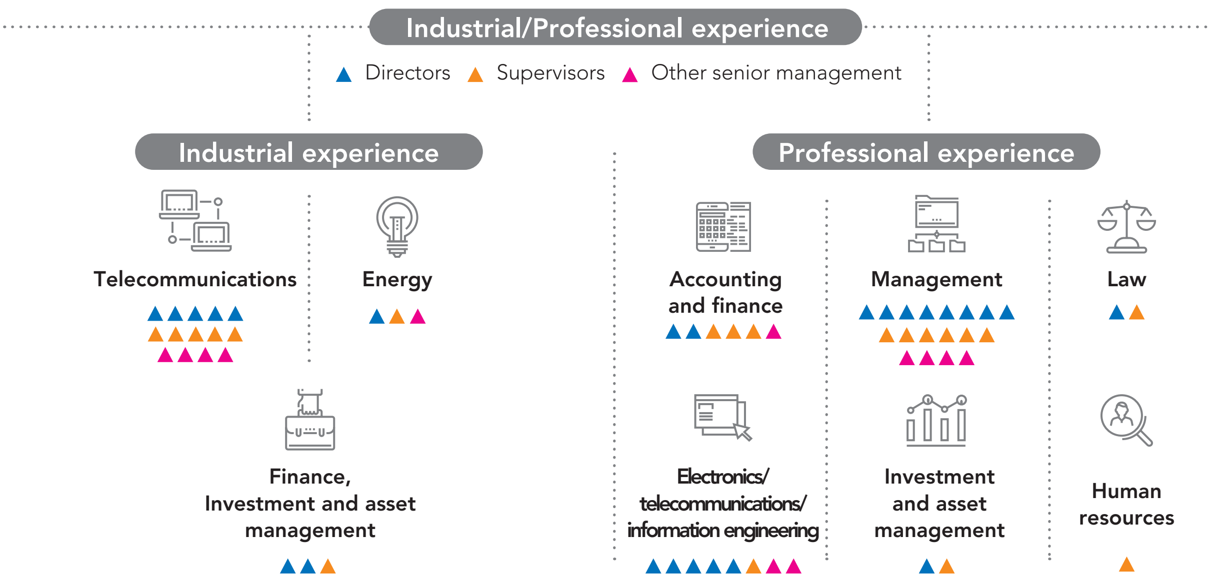
The Directors are typically appointed for a term of three years and eligible for re-election upon expiry of their term of office. The third session of the Board has a term of three years beginning in January 2022.



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.

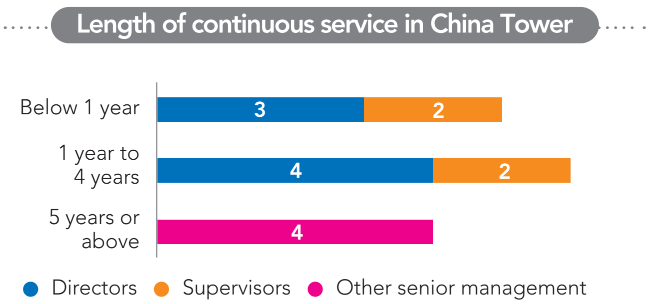






In accordance with the Articles of Association and the terms of reference of the Nomination Committee, when nominating and appointing new directors, the Nomination Committee will look for suitable candidates widely and make recommendations to the Board after considering the Company's needs for new directors. 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, energy industry, accounting, management, finance, investment and asset management, etc. The Nomination Committee under the Board reviews the Board structure at least once a year. There are three independent non-executive Directors in the Board, among which one of them is qualified as an accountant or has accounting or related financial management expertise and satisfies the requirements under Rules 3.10 and 3.10A 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 annual independent confirmations from each of Mr. Fan Cheng, Mr. Tse Yung Hoi and Mr. Deng Shiji, being the independent non-executive Directors for the year ended 31 December 2021, pursuant to Rule 3.13 of the Listing Rules. Mr. Zhang Guohou and Mr. Hu Zhanghong have also confirmed to the Company, upon their appointments as independent non-executive Directors, that they comply with the independence requirement under Rule 3.13 of the Listing Rules. The Company considers all 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 2021, 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 2021, 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 30 September 2021, Mr. Tong Jilu resigned from his positions as an executive director of the Company, chairman of the Board and chairman of the strategy committee and the nomination committee of the Board by reason of age. Following Mr. Tong's resignation, the Company did not comply with Rule 3.27A of the Listing Rules (previously the provision A.5.1 of the Corporate Governance Code) which provides that the nomination committee should be chaired by the chairman of the board or an independent non-executive director. On the same date, Mr. Zhang Zhiyong stopped to be a member of the audit committee of the Board. Following Mr. Zhang's cessation as a member of the audit committee of the Board, the Company did not comply with Rule 3.21 of the Listing Rules which provides that the audit committee shall comprise a minimum of three members.

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

On 30 September 2021, Mr. Zhang Zhiyong was re-designated from a non-executive director to an executive director and was appointed as the chairman of the Board. On 18 January 2022, the composition of relevant Board committees has been adjusted as follows: (i) the nomination committee of the Board comprises Mr. Zhang Zhiyong as chairman and Mr. Gao Tongqing, Mr. Zhang Guohou, Mr. Deng Shiji and Mr. Hu Zhanghong as members; (ii) the audit committee of the Board comprises Mr. Zhang Guohou as chairman and Mr. Liu Guiqing, Mr. Deng Shiji and Mr. Hu Zhanghong as members; and (iii) the remuneration and appraisal committee of the Board comprises Mr. Deng Shiji as chairman and Mr. Mai Yanzhou, Mr. Zhang Guohou, and Mr. Hu Zhanghong as members. After these adjustments, the Company has re-complied with the relevant requirements under Rules 3.21, 3.25 and 3.27A of the Listing Rules, respectively, since 18 January 2022.

Chairman of the Board and General Manager

Mr. Zhang Zhiyong is the chairman of the Board, mainly responsible for the operation of the Board and overseeing the implementation of board decisions. Mr. Gu Xiaomin is the general manager of the Company, mainly responsible for the Company's daily operation and management of business.

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 2021, the Board held four meetings and passed four written resolutions. In 2021, 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, Environmental, Social and Governance report and budget, the Board also considered the resolutions including the treatment of the Initial Grant under the Restricted Share Incentive Scheme, change of the Company's registered office, amendments to the Articles of Association and the rules of procedure for the board of directors, formulation of the measures for management of donations to third parties, donations for flood prevention and disaster relief, changes of Director and senior management, election of the chairman of the Board, re-election and election of the members of the third session of the Board, continuing connected transactions, outline of the 14th Five-Year strategic plan, etc. For the resolutions for considering and approving the continuing connected transactions, the Director(s) with material interest in such transactions has/have abstained from voting.

In 2021, the chairman of the Board had held two private meeting 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 2021, the attendance record of the then Directors in the Company's Board meetings, Board committee meetings and general meetings were as follows:

	Board	Strategy Committee	Remuneration and Appraisal Committee	Nomination Committee	Audit Committee	Connected Transaction Committee	General Meetings
Executive Directors:							
Zhang Zhiyong (Chairman)[1]	8/8	1/1	–	–	4/4	–	0/1
Gu Xiaomin (General Manager)	8/8	1/1	–	–	–	3/3	0/1
Tong Jilu[2]	6/6	1/1	–	3/3	–	–	1/1
Non-executive Directors:							
Gao Tongqing	6/8	1/1	–	2/4	–	–	0/1
Mai Yanzhou	6/8	1/1	1/1	–	–	–	0/1
Independent non-executive Directors:							
Fan Cheng[3]	8/8	–	1/1	4/4	4/4	3/3	1/1
Tse Yung Hoi[3]	8/8	–	–	4/4	4/4	3/3	1/1
Deng Shiji	8/8	1/1	1/1	4/4	–	3/3	1/1

Notes:

1. Mr. Zhang Zhiyong was re-designated to an executive Director and was appointed as the chairman of the Board on 30 September 2021. In the meantime, Mr. Zhang Zhiyong no longer held the position as a member of the Audit Committee of the Board.

2. Mr. Tong Jilu has resigned from his positions as an executive Director, the chairman of the Board, the chairman of the Strategy Committee and the Nomination Committee of the Board with effect from 30 September 2021.

3. On 14 January 2022, Mr. Fan Cheng and Mr. Tse Yung Hoi no longer served as independent non-executive Directors.

4. Certain Directors (including non-executive Directors and independent non-executive Directors) 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.

5. Certain Directors (including non-executive Directors and independent non-executive Directors) 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 also engaged external lawyers to provide trainings on topics including directors' duties and the Listing Rules to newly appointed directors, including Mr. Liu Guiqing, Mr. Zhang Guohou and Mr. Hu Zhanghong.

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 2021 of the then Directors 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:			
Zhang Zhiyong (Chairman)[1]	✓	✓	✓
Gu Xiaomin (General Manager)	✓	✓	✓
Tong Jilu[2]			
Non-executive Directors:			
Gao Tongqing	✓	✓	✓
Mai Yanzhou	✓	✓	✓
Independent non-executive Directors:			
Fan Cheng[3]	✓	✓	✓
Tse Yung Hoi[3]	✓	✓	✓
Deng Shiji	✓	✓	✓

Notes:

1. Mr. Zhang Zhiyong was re-designated to an executive Director and was appointed as the chairman of the Board on 30 September 2021.

2. Mr. Tong Jilu has resigned from his positions as an executive Director and the chairman of the Board with effect from 30 September 2021.

3. On 14 January 2022, Mr. Fan Cheng and Mr. Tse Yung Hoi no longer served as independent non-executive Directors.

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 2021.

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. In accordance with the requirements under the Listing Rules, the Company establishes independent board committee from time to time to advise and provide voting recommendations to Shareholders on specific transaction.

Strategy Committee

As at the date of this report, the Strategy Committee comprised six Directors, namely Mr. Zhang Zhiyong and Mr. Gu Xiaomin, both being executive Directors, Mr. Gao Tongqing, Mr. Mai Yanzhou and Mr. Liu Guiqing, all being non-executive Directors, and Mr. Zhang Guohou, being an independent non-executive Director. Mr. Zhang Zhiyong 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 2021, one meeting was held by the Strategy Committee of the Board, during which the development outline under 14th Five-Year Plan of the Company was considered.

Remuneration and Appraisal Committee

As at the date of this report, the Remuneration and Appraisal Committee comprised four Directors, namely, Mr. Deng Shiji, being an independent non-executive Director, Mr. Mai Yanzhou, being a non-executive Director, Mr. Zhang Guohou and Mr. Hu Zhanghong, both being independent non-executive Directors. Mr. Deng Shiji currently 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 2021, one meeting was held by the Remuneration and Appraisal Committee of the Board, during which proposals for remuneration and appraisal of senior management of the Company for 2021 and the treatment of the Initial Grant under the Restricted Share Incentive Scheme were considered.

Nomination Committee

As at the date of this report, the Nomination Committee comprised five Directors, namely, Mr. Zhang Zhiyong, being an executive Director, Mr. Gao Tongqing, being a non-executive Director, and Mr. Zhang Guohou, Mr. Deng Shiji and Mr. Hu Zhanghong, all being independent non-executive Directors. Mr. Zhang Zhiyong 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 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 2021, three meetings were held and one written resolution was approved by the Nomination Committee of the Board, during which matters on reviewing the structure and composition of the Board, evaluation on the independence of independent non-executive Directors, appointment of senior management of the Company, election of the chairman of the Board, re-election and election of the members of the third session of the Board were considered.

Audit Committee

As at the date of this report, the Audit Committee comprised four Directors, namely, Mr. Zhang Guohou, being an independent non-executive Director, Mr. Liu Guiqing, being a non-executive Director, Mr. Deng Shiji and Mr. Hu Zhanghong, both being independent non-executive Directors. Mr. Zhang Guohou 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 2021, two meetings were held and two written resolutions were approved by the Audit Committee of the Board, during which matters such as the audited financial report for 2020, the unaudited financial statements for the first quarter of 2021, the interim financial report for 2021, the unaudited financial statements for the first three quarters of 2021, report on the effectiveness of internal control and risk management for 2020, internal audit work plan for 2021 and re-appointment of external auditors were considered. In addition, the Audit Committee discussed and received the audit plan from external auditor.

Connected Transaction Committee

As at the date of this report, the Connected Transaction Committee comprised four Directors, namely, Mr. Hu Zhanghong, being an independent non-executive Director, Mr. Gu Xiaomin, being an executive Director, Mr. Zhang Guohou and Mr. Deng Shiji, both being independent non-executive Directors. Mr. Hu Zhanghong 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 2021, two meetings were held and one written resolution was approved by the Connected Transaction Committee of the Board, during which the execution of connected transactions of the Company, entering into continuing connected transactions framework agreements and proposed annual caps thereof, and revision of the annual caps for continuing connected transactions framework agreement were considered.

Supervisory Committee

The Company established a Supervisory Committee pursuant to the Company Law. As at the date of this report, the third session of the Supervisory Committee consists of six Supervisors which include four Shareholder representative Supervisors (Mr. Liu Wei, Mr. Li Zhangting, Ms. Han Fang and Ms. Li Tienan) and two employee representative Supervisors (Ms. Fan Xiaoqing and Mr. Wang Hongwei). Ms. Fan Xiaoqing 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 third session of the Supervisory Committee is appointed for a term of three years commencing from January 2022.

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 2021 is set out in the "Report of the Supervisory Committee" of this annual report.

Company Secretary

During the reporting period, the Company Secretary was an employee of the Company who 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 2021. On 9 March 2022, Ms. Chu Ka Yee resigned as the Company Secretary. The Company is in the course of identifying a suitable candidate to fill the vacancy of Company Secretary as soon as practicable to ensure compliance by the Company with Rule 3.28 of the Listing Rules.

Amendments to the Articles of Association

To improve corporate governance, the Shareholders approved at the 2020 AGM the amendments to the Articles of Association, including but not limited to the amendments to the provisions pursuant to the change of the Company's registered office and the implementation of the general counsel system. The amended Articles of Association has been published on the websites of the Company and the Hong Kong Stock Exchange.

External Auditors

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

For the year ended 31 December 2021, the fee paid/payable to the external auditors for audit and audit related services are RMB9.5 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 2022 and will propose such re-appointment for consideration at the 2021 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 96 to 99 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 2021, in order to prevent risks, enhance internal control, and promote compliance, the Company administered integrally the risk management, internal control and compliance supervision systems, and developed an interconnected organizational system with clear accountability and effective check and balance. Focusing on two core elements of system development and execution capability enhancement, the Company highlighted key risks that have significant impact, strengthened supervision and evaluation, and gave full play to the internal control system in order to secure the risk prevention and control as well as high-quality development of the Company. 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 reports the internal audit results to the Audit Committee and the Board regularly. 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 internal 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 2021 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

To ensure that our investors have a comprehensive and thorough understanding of the Group, with the establishment of timely and effective two-way communications, the management and investor relations team of the Group participate in different investment conferences on a regular basis to elaborate the Group's business development and market movement to investors around the globe. In 2021, the senior management of the Group attended press conference calls for annual results and interim results, providing important information to the capital market and media by ways of various activities such as analysts' conference calls, press conference calls and global investor telephone conferences, 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.

Moreover, the Group's senior management and investor relations team maintain regular communication with shareholders, institutional investors and analysts, as well as active participation in investors' activities and investment forums hosted by various organisations, so that the Group's business and investment value would gain exposure to a larger number of investors through expanding the scope of engagement with its stakeholders.

Since 2021, in response to the impact of the COVID-19 pandemic on social distancing, the Group's investor relations team has sought changes swiftly and adopted online meetings and conference calls to maintain communication with stakeholders. During the reporting period, investor relations team attended more than 10 investors and investment forums, communicated with over 500 persons in various forms. During the year under review, the Group reaped over 10 domestic and international awards for investor relations, corporate governance and annual report in recognition of the Group's effort and dedication in investor relations and corporate governance, providing a fine testimony to the Group's principle of maintaining high standards in investor relations.

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

2022 Calendar

Announcement of 2021 annual results	9 March 2022
2021 AGM	11 May 2022
Last day to register for 2021 final dividend	17 May 2022
Closure of register of members for 2021 final dividend	18 May to 23 May 2022
Expected payment date of 2021 final dividend	On or around 30 June 2022

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

Independent Auditor's Report
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"), which are set out on pages 100 to 170, comprise:

- the consolidated balance sheet as at 31 December 2021;
- 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 significant accounting policies and other explanatory information.

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 2021, 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"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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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 related to Revenue recognition.

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition Refer to Note 2.18 – Revenue, Note 2.20 – 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 revenues 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, actions taken to eliminate threats or safeguards applied.

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 Yuen Kwok Sun.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 9 March 2022

Consolidated Statement of Comprehensive Income

	Note	Year ended 31 December 2021 RMB million	2020 RMB million
Operating revenue	6	**86,585**	81,099
Operating expenses			
Depreciation and amortisation		**(49,982)**	(47,515)
Repairs and maintenance		**(5,796)**	(5,805)
Employee benefits and expenses	7	**(6,875)**	(6,115)
Site operation and support expenses	8	**(5,161)**	(4,627)
Other operating expenses	9	**(5,736)**	(5,025)
		(73,550)	(69,087)
Operating profit		**13,035**	12,012
Other gains, net	10	**303**	318
Interest income		**22**	36
Finance costs	11	**(3,745)**	(3,959)
Profit before income tax		**9,615**	8,407
Income tax expense	12	**(2,287)**	(1,980)
Profit for the year		**7,328**	6,427
Profit attributable to:			
Owners of the Company		**7,329**	6,428
Non-controlling interests		**(1)**	(1)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**–**	–
Income tax relating to these items		**–**	–
Items that will not be reclassified to profit or loss			
Remeasurements of post-retirement benefit obligations		**(1)**	–
Income tax relating to this item		**–**	–
Other comprehensive income for the year, net of tax		**(1)**	–
Total comprehensive income for the year		**7,327**	6,427
Total comprehensive income for the year attributable to:			
Owners of the Company		**7,328**	6,428
Non-controlling interests		**(1)**	(1)
		7,327	6,427
Basic and diluted earnings per share (in RMB Yuan)			
Basic/diluted	13	**0.0419**	0.0368

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

	Note	As at 31 December 2021 RMB million	2020 RMB million
Assets			
Non-current assets			
Property, plant and equipment	14	**221,419**	231,684
Right-of-use assets	16	**32,877**	34,553
Construction in progress	15	**14,709**	20,185
Deferred income tax assets	17	**1,892**	1,457
Other non-current assets	19	**4,018**	6,297
		274,915	294,176
Current assets			
Trade and other receivables	20	**34,194**	30,658
Prepayments and other current assets	21	**7,679**	7,504
Cash and cash equivalents	22	**6,471**	5,042
		48,344	43,204
Total assets		**323,259**	337,380
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	23	**176,008**	176,008
Reserves	24	**13,346**	10,237
Total equity attributable to owners of the Company		**189,354**	186,245
Non-controlling interests		**–**	1
Total equity		**189,354**	186,246
Liabilities			
Non-current liabilities			
Borrowings	26(a)	**41,572**	27,121
Lease liabilities	16	**15,677**	16,745
Deferred government grants	27	**436**	602
Employee benefit obligations	7(i)	**38**	31
		57,723	44,499
Current liabilities			
Borrowings	26(a)	**37,142**	61,999
Lease liabilities	16	**6,913**	7,006
Accounts payable	28	**25,264**	31,460
Accrued expenses and other payables	29	**6,342**	5,752
Current income tax payable		**521**	418
		76,182	106,635
Total liabilities		**133,905**	151,134
Total equity and liabilities		**323,259**	337,380

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 100 to 170 were approved by the Board of Directors on 9 March 2022 and were signed on its behalf:

ZHANG Zhiyong	**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 31 December 2019		176,008	3,694	(1,735)	247	475	3,870	182,559	2	182,561
Profit for the year		–	–	–	–	–	6,428	6,428	(1)	6,427
Other comprehensive income		–	–	–	–	–	–	–	–	–
Total comprehensive income for the year		–	–	–	–	–	6,428	6,428	(1)	6,427
Dividends paid	24(b)	–	–	–	–	–	(2,561)	(2,561)	–	(2,561)
Acquisition of own shares under restricted share incentive scheme	25	–	–	(219)	–	–	–	(219)	–	(219)
Employee share scheme-value of employee services	25	–	–	–	38	–	–	38	–	38
Transfer to statutory reserves		–	–	–	–	643	(643)	–	–	–
Balance at 31 December 2020		176,008	3,694	(1,954)	285	1,118	7,094	186,245	1	186,246

Consolidated Statement of Changes in Equity

	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	Other reserves RMB million	Retained Earnings RMB million	Total RMB million	Non – controlling Interests RMB million	Total Equity RMB million
		Attributable to owners of the Company									
Balance at 31 December 2020		176,008	3,694	(1,954)	285	1,118	–	7,094	186,245	1	186,246
Profit for the year		–	–	–	–	–	–	7,329	7,329	(1)	7,328
Other comprehensive income		–	–	–	–	–	(1)	–	(1)	–	(1)
Total comprehensive income for the year		–	–	–	–	–	(1)	7,329	7,328	(1)	7,327
Dividends paid	24(b)	–	–	–	–	–	–	(3,934)	(3,934)	–	(3,934)
Employee share scheme-value of employee services	25	–	–	–	(285)	–	–	–	(285)	–	(285)
Transfer to statutory reserves		–	–	–	–	731	–	731	–	–	–
Balance at 31 December 2021		176,008	3,694	(1,954)	–	1,849	(1)	9,758	189,354	–	189,354

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

	Note	Year ended 31 December 2021 RMB million	2020 RMB million
Cash flows from operating activities			
Cash generated from operations	30(a)	**63,100**	59,732
Income tax paid		**(2,619)**	(2,220)
Interest received		**22**	36
Net cash inflow from operating activities		**60,503**	57,548
Cash flows from investing activities			
Payments for property and equipment and construction in progress		**(32,513)**	(37,800)
Payments for land use right		**(162)**	(198)
Proceeds from disposal of property and equipment	30(b)	**1,160**	101
Net cash (outflow) from investing activities		**(31,515)**	(37,897)
Cash flows from financing activities	30(c)		
Proceeds from borrowings (excluding short-term commercial papers and mid-term notes)	26(a)(iv)	**61,201**	86,819
Proceeds from short-term commercial papers	26(a)(v)	**–**	19,000
Proceeds from medium-term notes	26(a)(iii)	**4,000**	–
(Repayments to)/proceeds from employees for restricted share incentive scheme	25	**(495)**	83
Acquisition of shares for restricted share incentive scheme		**–**	(59)
Repayments of borrowings (excluding short-term commercial papers and mid-term notes)		**(64,722)**	(87,413)
Repayments of short-term commercial papers		**(11,000)**	(25,000)
Dividends paid to the owners of Company		**(3,934)**	(2,561)
Interest paid for borrowings		**(2,708)**	(2,675)
Payments of lease liabilities (including principal and interest)		**(9,902)**	(9,031)
Net cash (outflow) from financing activities		**(27,560)**	(20,837)
Net increase/(decrease) in cash and cash equivalents		**1,428**	(1,186)
Cash and cash equivalents at the beginning of the financial year		**5,042**	6,223
Effect of exchange rate changes on cash and cash equivalents		**1**	5
Cash and cash equivalents at end of year		**6,471**	5,042

Significant non-cash transactions:

For the additions of construction in progress, the Group recorded accounts payables of approximately RMB16,699 million to equipment and construction suppliers as at 31 December 2021 (2020: RMB21,759 million).

The Group recorded an addition of right-of-use assets with the corresponding of lease liabilities amounting to approximately RMB8,164 million for the year ended 31 December 2021 (2020: RMB7,158 million).

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

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**"). 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.

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 ("**smart tower business", previously known as "TSSAI business**") and energy 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.

The 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 2021, the Group's current liabilities exceeded its current assets by RMB27,838 million (2020: RMB63,431 million).

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

- The Group's continuous net cash inflows from operating activities;
- The committed, unrestricted and unutilized revolving bank credit facilities of RMB210,910 million as at 31 December 2021; and
- Other available sources of financing from domestic banks and other financial institutions.

Based on management's operating and financial plans, the directors of the Company were of the opinion that the Group has adequate funds to continue its operations and to repay its debts when they fall due, and thus concluded that the Group will be able to meet its obligations for the twelve months after 31 December 2021. 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 elected to early adopt the following amendments from 1 January 2021.

New standards, amendments and interpretations
Annual Improvements to IFRS Standards 2018-2020
Covid-19-Related Rent Concessions beyond 30 June 2021

All 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 2022 or later periods, and the Group has not early adopted them:

	New standards, amendments and interpretations	Published date	Effective date
Amendments to IAS 1	Classification of liabilities as current or non current	January 2020	Annual periods beginning on or after 1 January 2023
Amendments to IFRS 1, IFRS 9, IAS 41 and IFRS 16	Annual Improvements	May 2020	Annual periods beginning on or after 1 January 2022
Amendments to IFRS 3, IAS 16 and IAS 37	Narrow-scope amendments	May 2020	Annual periods beginning on or after 1 January 2022
Amendments to IAS 28 and IFRS 10	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	September 2014	Undetermined
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	May 2021	Annual periods beginning on or after 1 January 2023

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Principles of consolidation and equity accounting

(a) Subsidiaries

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

The acquisition method of accounting is used to account for business combinations not involving enterprises under common control by the Group.

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

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

(b) Separate financial statements

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

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

(c) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. 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.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Company's executive directors and senior management.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 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.

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 the 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)

2.5 Property, plant and equipment

The Group's property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses (Note 2.7). 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.

2.6 Construction-in-progress

The Group's construction-in-progress ("CIP") represents buildings and equipment under construction and pending installation, and is stated at cost less accumulated impairment losses (Note 2.7). 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 property, plant an equipment.

2.7 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)

2.8 Financial assets

2.8.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and

- those to be measured 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.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

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

2.8.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2.8.3 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 2021 and 2020, the Group only has debt instruments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Financial assets (Continued)

2.8.3 Measurement (Continued)

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. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: 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. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains, net together with foreign exchange gains and losses.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains, net. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains, net.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains, net in the period in which it arises.

2.8.4 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 from the Three TSPs that paid on behave of the Three TSPs, 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.

2.9 Trade receivables

Trade receivables are amounts due from customers for the Tower business, DAS business, smart tower 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 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 are provided in Note 2.8.4 above.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 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.

2.11 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.

2.12 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.

2.13 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 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.

2.14 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)

2.15 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 and consider whether it is probable that a taxation authority will accept an uncertain tax treatment. 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)

2.16 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) Post-employment benefit

Defined contribution obligations

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)

2.16 Employee benefits (Continued)

(b) Post-emplyment benefit (Continued)

Defined benefit obligations

The Group also provides post-retirement benefits to its employees based in mainland Chain who have retired or are expected to retire before the end of 2023. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement.

The liability recognised in the balance sheet is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of PRC government bonds with terms approximating to the terms of the related obligation.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. For the years ended 31 December 2021 and 2020, the Group did not have material termination benefits.

(d) 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 25.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 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.

2.18 Revenue

The Group's operating revenue and lease income arise primarily from the Tower business, the DAS business, the smart tower business and the energy business. During the years ended 31 December 2021 and 2020, 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 smart tower business and the energy 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Revenue (Continued)

- ***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).

- ***Smart tower 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.

- ***Energy 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's battery exchange services is to provide replaceable batteries to individual customers when there is low batteries of electric vehicles. Contract with customers are usually fixed price and are entered into on month 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 margin 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.

Smart tower business generally include multiple components of services. The performance obligations are generally satisfied over time in the same period and with the same pattern. Accordingly, they are accounted for as a single smart tower services revenue and recognised when these services are rendered. If the payments exceed the services rendered, a contract liability is recognised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Revenue (Continued)

Energy 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. If the payments exceed the services rendered, a contract liability is recognised.

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 material 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.

2.19 Interest income

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

2.20 Leases

The Group as lessee

As a lessee, the Group leases certain office premises, telecommunication tower site properties (the "Site Properties") and equipment during its operations.

Leases 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)

2.20 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 2.18), 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)

2.21 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 government grants and are credited to the consolidated statement of comprehensive income on a straight-line basis over the expected useful lives of the related assets.

2.22 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) An entity (B) is related to the Group (A) 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)

2.23 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 annual general meeting (the "AGM").

2.24 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 Hong Kong dollars and Lao Kip other than the functional currency of the respective group entities, which are RMB and USD. As at 31 December 2021, the Group's cash and bank deposits denominated in Hong Kong dollars and Lao Kip represented 0.8% (2020: 1.4%) 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 mainly 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 2021, the Group's borrowings at variable rates amounted to RMB44,132 million (2020: RMB31,175 million). Based on the simulations performed, assuming interest rates increase/decrease by 100 basis points, the Group's profit after tax for the year ended 31 December 2021 will decrease/increase by RMB143 million (2020: RMB45 million) for borrowings at variable rates.

During the years ended 31 December 2021 and 2020, the Group has no position in interest rate swap.

(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.

Since bank deposits are mainly placed with state-owned banks or 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 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.

The Group has two types of assets that are subject to expected credit loss model:

– Trade receivables

– Other receivables

Trade receivables

Given the nature of the Group's business, it has significant concentrations risk since there are significant trade receivables due from the Three TSPs (the trade receivable balances due from the Three TSPs accounted for 88.92% of the Group's total trade receivable balances at 31 December 2021 (2020: 90.64%)).

To mitigate this 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. The Group uses probability of default (PD), exposure at default (EAD) and loss given default (LGD) to measure the credit risk from the Three TSPs.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

Trade receivables (Continued)

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, which normally ranged from 1 to 6 months. 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 to be Gross Domestic Product (GDP), Consumer Price Index (CPI) and Producer Price Index (PPI), and accordingly adjusts the historical loss rates based on expected changes in these factors.

Other receivables

The Group considers the probability of default upon initial recognition of other receivables which subsequently measured at amortised cost and whether there has been a significant increase in credit risk on an ongoing basis. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the 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 other receivables from the Three TSPs, it is mainly payments made on behalf of the TSPs, which resulted from the contract with customers while acting as an agent, the Group applies the simplified approach to provide expected credit losses as it has similar nature with trade receivables, and management applied the same methodology to assess the credit risk for these other receivables from TSPs.

For the other receivables other than those from the Three TSPs, mainly deposit to suppliers and customers, as it is have quick turnover, no historical of default, the Group were of the view that the credit risk were immaterial.

Based on similar credit risk characteristics, trade receivables and other receivables from the Three TSPs have been grouped into three portfolios:

- The Three TSPs;
- local government authorities and public institutions;
- state-owned companies and other customer.

(Expressed in RMB unless otherwise indicated)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

Other receivables (Continued)

On that basis, the loss allowance as at 31 December 2021 and 2020 was determined as follows for trade receivables and other receivables:

- the Three TSPs

  In 2021, the expected loss rate for the Three TSPs group was 1.24% (2020: 0.57%). As at 31 December 2021, loss allowance for the Three TSPs group is RMB376 million (2020: RMB161 million).

- Local government authorities and public institutions

	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 2021					
Expected loss rate	**9.32%**	**13.21%**	**18.68%**	**35.37%**	**100.00%**
Gross carrying amount – trade receivables	**805**	**159**	**91**	**164**	**26**
Loss allowance	**75**	**21**	**17**	**58**	**26**
As at 31 December 2020					
Expected loss rate	5.86%	8.30%	11.80%	20.60%	100.00%
Gross carrying amount – trade receivables	444	126	63	75	9
Loss allowance	26	16	10	23	9

- State-owned companies and other customers

	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 2021					
Expected loss rate	**9.25%**	**15.71%**	**21.48%**	**34.65%**	**100.00%**
Gross carrying amount – trade receivables	**1,103**	**210**	**135**	**254**	**399**
Loss allowance	**102**	**33**	**29**	**88**	**399**
As at 31 December 2020					
Expected loss rate	9.76%	15.50%	21.10%	60.00%	100.00%
Gross carrying amount – trade receivables	881	171	89	297	224
Loss allowance	86	23	19	177	224

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

Other receivables (Continued)

The loss allowances for trade receivables and other receivables as at 31 December reconcile to the opening loss allowances as follows:

	Other receivables		Trade receivables	
	2021	2020	**2021**	2020
	RMB million	RMB million	**RMB million**	RMB million
Opening loss allowance at 1 January	**–**	–	**(774)**	(395)
Increase in loss allowance recognised in profit or loss during the year	**(1)**	–	**(459)**	(389)
Receivables written off during the year as uncollectible	**–**	–	**5**	10
Unused amount reversed	**–**	–	**5**	–
Closing loss allowance at 31 December	**(1)**	–	**(1,223)**	(774)

Trade and other receivables are write-off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the failures of a debtor to engage in a repayment with the Group. The Group made write-off of trade and other receivables amounting to RMB5 million during the year ended 31 December 2021 (2020: RMB10 million).

Impairment losses on trade receivables and other receivables is presented as credit loss allowance within other operating expenses (Note 9). Subsequent recoveries of amounts previously written off are credited against the same line item.

Net impairment losses on financial assets recognised in profit or loss

During the year, the following gains/(losses) were recognised in profit or loss in relation to impaired financial assets:

	2021	2020
	RMB million	RMB million
Impairment losses		
– movement in loss allowance for trade receivables and other receivables	**(460)**	(389)
Reversal of previous impairment losses	**5**	–
Impairment losses on financial assets at amortised cost	**(455)**	(389)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(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 2021, the Group holds cash and cash equivalents of RMB6,471 million (2020: RMB5,042 million) respectively to manage liquidity risk.

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

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

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 2020						
Borrowings	89,120	92,375	63,743	4,107	24,525	–
Accounts payable and other payables excluding non-financial liabilities	34,052	34,052	34,052	–	–	–
Lease liabilities	23,751	30,063	9,008	6,181	9,589	5,285
	146,923	156,490	106,803	10,288	34,114	5,285
As at 31 December 2021						
Borrowings	**78,714**	**85,471**	**42,579**	**29,307**	**13,585**	**–**
Accounts payable and other payables excluding non-financial liabilities	**27,801**	**27,801**	**27,801**	**–**	**–**	**–**
Lease liabilities	**22,590**	**28,502**	**8,848**	**6,206**	**8,897**	**4,551**
	129,105	**141,774**	**79,228**	**35,513**	**22,482**	**4,551**

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, 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	
	2021	2020
	RMB million	RMB million
Interest-bearing liabilities (Note 16 and Note 26)	**101,304**	112,871
Less: cash and cash equivalents (Note 22)	**(6,471)**	(5,042)
Net debt[(1)] (Note 30 (c))	**94,833**	107,829
Total equity	**189,354**	186,246
Total capital[(2)]	**284,187**	294,075
Gearing ratio[(1)/(2)]	**33.4%**	36.7%

3.3 Fair value estimation

As at 31 December 2021 and 2020, 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 and borrowings. The Group measures these financial assets and financial liabilities at amortised cost. As at 31 December 2021 and 2020, 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 and residual values 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 some 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 are 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 with the Three TSPs for the leasing of communication towers and related ancillary facilities by the Three TSPs. Pursuant to the terms of the 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 review the revenue from revenue stream perspective including Tower business, DAS business, smart tower business and energy business. However, the CODM does not make the decision related to resource allocation or performance evaluation solely based on the revenue generated from the different business. Rather, the CODM review the Group's performance and budget as a whole. Therefore, the CODM conclude that the Group has one operating segment.

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

The Group's revenue are primarily generated from the Three TSPs and their respective parent companies, named as China Mobile Communications Group Co., Ltd. ("CMCC"), China United Network Communications Group Company Limited ("CUC") and China Telecommunications Corporation ("CTC"), respectively. CMCC together with China Mobile 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) The major customers that contribute more than 10% of the total revenue of the Group are listed as below:

	Year ended 31 December	
	2021	2020
	RMB million	RMB million
CMCC Group	**42,301**	40,826
CUC Group	**18,466**	17,542
CTC Group	**20,074**	19,002
	80,841	77,370

For the year ended 31 December 2021, the revenue generated from CMCC Group, CUC Group and CTC Group accounted for 93.37% (2020: 95.40%) of the total revenue.

6 OPERATING REVENUE

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

	Year ended 31 December	
	2021	2020
	RMB million	RMB million
Tower business (Note (ii))		
– Macro cell business	**74,836**	72,586
– Small cell business	**1,021**	785
	75,857	73,371
DAS business	**4,340**	3,528
Smart tower business	**4,060**	3,004
Energy business	**2,071**	935
Others	**257**	261
	86,585	81,099

6 OPERATING REVENUE (Continued)

Note:

(i) Disaggregation of operating revenue

	Year ended 31 December 2021 RMB million	2020 RMB million
Operating revenue		
Rental income under IFRS 16	**64,543**	62,483
Revenue from contract with customer under IFRS 15	**22,042**	18,616
Including: revenue recognised over time	**21,724**	18,415
revenue recognised at a point in time	**318**	201
	86,585	81,099

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

	Year ended 31 December 2021 RMB million	2020 RMB million
Revenue from the provision of Site Space	**64,477**	62,417
Revenue from Services*	**11,380**	10,954
	75,857	73,371

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

(iii) Liabilities related to contracts with customers – contract liabilities

	As at 31 December 2021 RMB million	As at 31 December 2020 RMB million
Contract liabilities – Smart tower business	**943**	741
Contract liabilities – Energy business	**445**	93
	1,388	834

The Group classified these contract liabilities as current because the Group expects to realise them in one year.

6 OPERATING REVENUE (Continued)

Note: (Continued)

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities:

	Year ended 31 December 2021 RMB million	2020 RMB million
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Smart tower business	**539**	514
Energy business	**86**	48
	625	562

All of the contracts are for periods of one year or less or are billed based on time incurred. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

7 EMPLOYEE BENEFITS AND EXPENSES

	Year ended 31 December 2021 RMB million	2020 RMB million
Salaries and welfare	**5,412**	4,882
Post-employment benefits (Note i)	**842**	425
Contributions to medical insurance	**496**	402
Contributions to housing fund	**410**	368
Share incentive expenses (Note ii)	**(285)**	38
	6,875	6,115

Note:

(i) Post-employment benefits

	Year ended 31 December 2021 RMB million	2020 RMB million
Post-employment benefits		
– Defined benefit obligations	**5**	31
– Defined contribution obligations	**837**	394
	842	425

(Expressed in RMB unless otherwise indicated)

7 EMPLOYEE BENEFITS AND EXPENSES (Continued)

Note: (Continued)

(i) Post-employment benefits (Continued)

Defined benefit obligations

As stipulated under a new governmental requirement, starting in 2020, the Group has implemented a new post-employment benefit scheme, covering medical and other benefits, for its employee based in mainland China that retired and to be retired before 2023. A employee benefit obligation amounting to 38 million was recognised in the consolidated balance sheet.

The significant actuarial assumptions were as follows:

	Year ended 31 December	
	2021	2020
– Discount rate	**3.0%**	3.4%
– Average remaining life	**31**	32

Defined contribution obligations

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 16% (subject to caps) of the eligible salaries of its employees on a monthly basis for the year ended 31 December 2021 (2020: 14%-20%). 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.

(ii) Share incentive expenses

As disclosed in Note 25, the Company has implemented a restricted share incentive scheme with a duration of 10 years. The fair value of restricted shares granted to employees as at grant date is recognised as an expense over the vesting period when employee services are received, with a corresponding credit to equity.

7 EMPLOYEE BENEFITS AND EXPENSES (Continued)

(a) Directors' and supervisors' remuneration

Directors' and supervisors' remuneration during 2021 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))	–	935	163	1,098
ZHANG Zhiyong (Note (iii))	–	170	38	208
GU Xiaomin	–	1,190	216	1,406
	–	**2,295**	**417**	**2,712**
Non-executive directors (Note (i))				
ZHANG Zhiyong (Note (iii))	–	–	–	–
MAI Yanzhou	–	–	–	–
GAO Tongqing	–	–	–	–
	–	**–**	**–**	**–**
Independent non-executive directors				
FAN Cheng	80	–	–	80
TSE Yunghoi	151	–	–	151
DENG Shiji	77	–	–	77
	308	**–**	**–**	**308**
Supervisors				
LI Wenmin (Note (iv))	–	240	69	309
FAN Xiaoqing (Note (v))	–	540	142	682
WANG Hongwei	–	775	212	987
GAO Lingling (Note (i))	–	–	–	–
GUO Xiaolin (Note (i))	–	–	–	–
SUI Yixun (Note (i))	–	–	–	–
LI Tienan (Note (i))	–	–	–	–
LI Zhangting	–	–	–	–
	–	**1,555**	**423**	**1,978**

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 position as executive director of the Company with effect from 30 September 2021.

(iii) On 30 September 2021, Mr. ZHANG Zhiyong resigned from position as non-executive director of the Company, and was appointed as executive director of the Company.

(iv) Mr. LI Wenmin resigned from position as supervisor of the Company on 14 April 2021.

(v) Ms. FAN Xiaoqing was appointed as supervisor of the Company on 14 April 2021.

(vi) In addition to the director's remuneration in the table, as approved by the board of directors, a special bonus amounted to RMB130 thousand and RMB130 thousand in 2021 was paid to Mr. TONG Jilu and Mr. GU Xiaomin respectively by the Company for their past performance.

(vii) In addition to the director's remuneration in the table, as approved by the board of directors, a special bonus amounted to RMB50 thousand, RMB216 thousand and RMB487 thousand in 2021 was paid to Mr. LI Wenmin, Ms. FAN Xiaoqing and Mr. WANG Hongwei respectively by the Company for their past performance.

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

7 EMPLOYEE BENEFITS AND EXPENSES (Continued)

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

Directors' and supervisors' remuneration during 2020 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	–	1,050	151	1,201
GU Xiaomin	–	1,050	144	1,194
	–	2,100	295	2,395
Non-executive directors (Note (i))				
DONG Xin (Note (viii))	–	–	–	–
SHAO Guanglu (Note (ii))	–	–	–	–
ZHANG Zhiyong	–	–	–	–
MAI Yanzhou (Note (iii))	–	–	–	–
GAO Tongqing (Note (iv))	–	–	–	–
	–	–	–	–
Independent non-executive directors				
SU Li (Note (v))	5	–	–	5
FAN Cheng	60	–	–	60
TSE Yunghoi	162	–	–	162
DENG Shiji (Note (iii))	50	–	–	50
	277	–	–	277
Supervisors				
LI Wenmin	–	658	147	805
WANG Hongwei	–	658	145	803
GAO Lingling (Note (i))	–	–	–	–
GUO Xiaolin (Note (i)(vi))	–	–	–	–
SUI Yixun (Note (i))	–	–	–	–
LI Tienan (Note (i))	–	–	–	–
LI Zhangting (Note (vii))	–	–	–	–
	–	1,316	292	1,608

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

(iii) On 21 May 2020, Mr. MAI Yanzhou was appointed as non-executive director of the Company, and Mr. DENG Shiji was appointed as independent non-executive director of the Company.

(iv) Mr. GAO Tongqing was appointed as non-executive director of the Company on 13 October 2020.

(v) Mr. SU Li resigned from position as independent non-executive directors of the Company on 10 January 2020.

(vi) Ms. GUO Xiaolin resigned from position as supervisor of the Company on 10 August 2020.

(vii) Mr. LI Zhangting was appointed as supervisor of the Company on 13 October 2020.

(viii) Mr. DONG Xin resigned from position as non-executive directors of the Company on 13 October 2020.

(ix) In addition to the director's remuneration in the table, as approved by the board of directors, a special bonus amounted to RMB140 thousand and RMB135 thousand in 2020 was paid to Mr. TONG Jilu and Mr. GU Xiaomin respectively by the Company for their past performance.

(x) In addition to the director's remuneration in the table, as approved by the board of directors, a special bonus amounted to RMB376 thousand and RMB418 thousand in 2020 was paid to Mr. LI Wenmin and Mr. WANG Hongwei respectively by the Company for their past performance.

(xi) 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 5 members. For the year ended 31 December 2021, one of them were directors whose remuneration is disclosed in Note 7(a).

The emoluments fell within the following bands:

Emolument bands (in RMB)	Year ended 31 December **2021** **Numbers**	 2020 Numbers
RMB 1,000,001 to RMB1,500,000	**5**	4
RMB Nil to RMB1,000,000	**0**	1

7 EMPLOYEE BENEFITS AND EXPENSES (Continued)

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group in 2021 include Nil (2020: Nil) director. The emoluments payable to the remaining 5 highest paid (2020: 5) individuals in 2021 are as follows:

	Year ended 31 December	
	2021	2020
	RMB thousand	RMB thousand
Salaries, allowances	**5,462**	5,472
Bonuses	**2,509**	1,861
Contribution to pension scheme	**881**	542
Social insurance, housing fund	**268**	382
	9,120	8,257

The emoluments fell within the following bands:

	Year ended 31 December	
	2021	2020
Emolument bands (in RMB)	**Numbers**	Numbers
RMB 2,000,001 to RMB2,500,000	**1**	1
RMB 1,500,001 to RMB2,000,000	**4**	1
RMB 1,000,001 to RMB1,500,000	**0**	3

8 SITE OPERATION AND SUPPORT EXPENSES

	Year ended 31 December	
	2021	2020
	RMB million	RMB million
Costs of site power supply using diesel oil generation	**1,635**	1,699
Site usage expenses	**1,438**	1,212
IT service charge	**1,234**	1,063
Others	**854**	653
	5,161	4,627

9 OTHER OPERATING EXPENSES

	Year ended 31 December	
	2021	2020
	RMB million	RMB million
Technical support charges (Note)	**1,779**	1,344
Losses on write-off/disposal of property and equipment	**868**	1,100
Property management expenses and utilities	**553**	542
Credit loss allowance	**455**	389
Marketing expenses	**459**	339
Other taxes and surcharges	**220**	206
Auditors' remuneration	**9**	9
Others	**1,393**	1,096
	5,736	5,025

Note:

Technical support charges incurred are mainly for building platforms for customers in smart tower business and energy business, and are paid to third-party service providers while the Group is the primary obligator for providing this services.

10 OTHER GAINS, NET

	Year ended 31 December	
	2021	2020
	RMB million	RMB million
Exchange (loss)/gain	**(2)**	3
Gain on early termination of lease contracts	**–**	114
Others (Note)	**305**	201
	303	318

Note:

Others primarily comprise government grants, and other miscellaneous non – operating gains.

11 FINANCE COSTS

	Year ended 31 December	
	2021	2020
	RMB million	RMB million
Interest expense on borrowings	**2,615**	2,789
Interest expense on lease liabilities	**1,244**	1,322
Less: Amounts capitalised in CIP (Note)	**(114)**	(152)
	3,745	3,959

Note:

The interest rate range of amounts capitalised in CIP in 2021 are 2.25%-3.60% per annum (2020: 3.02%-3.38% per annum).

12 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	
	2021	2020
	RMB million	RMB million
Current tax		
Current tax on estimated taxable profits for the year	**2,722**	2,239
Deferred tax (Note 17)		
Origination of temporary differences	**(435)**	(259)
Income tax expenses	**2,287**	1,980

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	
	2021	2020
	RMB million	RMB million
Profit before taxation	**9,615**	8,407
Tax at PRC statutory tax rate of 25%	**2,404**	2,102
Rate differential of certain provincial branches of the Group (Note)	**(151)**	(133)
Tax effect of non-deductible expenses	**34**	11
Income tax expenses	**2,287**	1,980

Note:

The Company's PRC statutory income tax rate is 25%. According to the circular of "Continuing to Implement preferential Corporate Income Tax Policies for Western Development" (Ministry of Finance announcement [2020] No. 23) issued by the Ministry of Finance, the State Administration of Taxation and the National Development and Reform Commission and relevant PRC enterprise income tax regulations, branches that are qualified and located in certain western provinces of mainland China are entitled to a preferential income tax rate of 15%, certain branches of the Group obtained the approval were entitled to this preferential income tax rate of 15% until the end of 2030.

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

13 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	
	2021 (Note)	2020 (Note)
Profit attributable to owners of the Company (RMB million)	**7,329**	6,428
Weighted average number of ordinary shares in issue (million)	**174,812**	174,861
Basic earnings per share (in RMB Yuan)	**0.0419**	0.0368

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 2021, no share was purchased by the trustee authorised by the Group from the secondary market (Note 25) (2020: 143 million shares were purchased from the secondary market).

(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 restricted shares granted to employee under the restricted share incentive scheme. The restricted shares were not included in the calculation of diluted earnings per share for the year ended 31 December 2021 and 2020 because the unlocking conditions of achieving certain performance conditions are not met (see Note 25) and they are anti-dilutive. Therefore, the diluted earnings per share was the same as basic earnings per share.

Notes to the Consolidated Financial Statements
(Expressed in RMB unless otherwise indicated)

14 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 2020					
Cost:					
Opening balance	4,538	292,429	69,133	1,025	367,125
Transfer from CIP	705	16,264	8,847	40	25,856
Additions	2,486	392	142	146	3,166
Disposals	–	(1,722)	(1,952)	(2)	(3,676)
Closing balance	7,729	307,363	76,170	1,209	392,471
Accumulated depreciation:					
Opening balance	(154)	(90,440)	(36,187)	(419)	(127,200)
Charge for the year	(188)	(24,206)	(11,490)	(178)	(36,062)
Disposals	–	1,093	1,380	2	2,475
Closing balance	(342)	(113,553)	(46,297)	(595)	(160,787)
Closing net book amount	7,387	193,810	29,873	614	231,684
Year ended 31 December 2021					
Cost:					
Opening balance	**7,729**	**307,363**	**76,170**	**1,209**	**392,471**
Transfer from CIP	**1,166**	**15,216**	**12,327**	**293**	**29,002**
Additions	**52**	**183**	**851**	**133**	**1,219**
Disposals	**–**	**(3,048)**	**(2,562)**	**(8)**	**(5,618)**
Closing balance	**8,947**	**319,714**	**86,786**	**1,627**	**417,074**
Accumulated depreciation:					
Opening balance	**(342)**	**(113,553)**	**(46,297)**	**(595)**	**(160,787)**
Charge for the year	**(261)**	**(25,268)**	**(12,696)**	**(233)**	**(38,458)**
Disposals	**–**	**1,797**	**1,788**	**5**	**3,590**
Closing balance	**(603)**	**(137,024)**	**(57,205)**	**(823)**	**(195,655)**
Closing net book amount	**8,344**	**182,690**	**29,581**	**804**	**221,419**

Note: Some sites with towers and ancillary facilities have incomplete legal titles, after a detailed 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.

The additions of buildings are office premises. As of 31 December 2021, certain ownership certificates of those buildings and land use right certificates have yet been obtained. The directors of the Company believe that there is no substantial obstacle to obtain those certificates.

15 CONSTRUCTION IN PROGRESS

As at 31 December 2021, construction in progress mainly include towers and DAS projects under construction and installation.

	Year ended 31 December	
	2021	2020
	RMB million	RMB million
Balance at 1 January	**20,185**	12,263
Additions	**23,526**	33,778
Transferred to property, plant and equipment	**(29,002)**	(25,856)
Balance at 31 December	**14,709**	20,185

16 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
Year ended 31 December 2020			
Right-of-use assets:			
As at 1 January 2020	63,531	1,113	64,644
Additions	9,986	198	10,184
Termination of lease contracts	(1,986)	–	(1,986)
As at 31 December 2020	71,531	1,311	72,842
Accumulated depreciation:			
As at 1 January 2020	(28,385)	(119)	(28,504)
Charge for the year	(11,292)	(42)	(11,334)
Write-off upon termination of lease contracts	1,549	–	1,549
As at 31 December 2020	(38,128)	(161)	(38,289)
Closing net book amount:			
As at 31 December 2020	33,403	1,150	34,553

16 LEASE (Continued)

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

	Sites and premises RMB million	Land use rights RMB million	Total RMB million
Year ended 31 December 2021			
Right-of-use assets:			
As at 1 January 2021	**71,531**	**1,311**	**72,842**
Additions	**9,990**	**68**	**10,058**
Termination of lease contracts	**(2,592)**	**(2)**	**(2,594)**
As at 31 December 2021	**78,929**	**1,377**	**80,306**
Accumulated depreciation:			
As at 1 January 2021	**(38,128)**	**(161)**	**(38,289)**
Charge for the year	**(11,334)**	**(45)**	**(11,379)**
Write-off upon termination of lease contracts	**2,239**	**–**	**2,239**
As at 31 December 2021	**(47,223)**	**(206)**	**(47,429)**
Closing net book amount:			
As at 31 December 2021	**31,706**	**1,171**	**32,877**

	As at 31 December 2021 RMB million	As at 31 December 2020 RMB million
Lease Liabilities		
– Current	**6,913**	7,006
– Non-current	**15,677**	16,745
	22,590	23,751

16 LEASE (Continued)

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

	Year ended 31 December 2021 RMB million	2020 RMB million
Depreciation charge of right-of-use assets	**11,379**	11,334
Interest expense	**1,244**	1,322
Expense relating to short-term leases and low-value leases	**1,371**	1,152

(c) The total cash payment of principal and interest of lease liabilities for the year ended 31 December 2021 was RMB9,902 million (2020: RMB9,031 million).

(d) The Group's leasing activities:

The Group mainly leases premises and site properties for its 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 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.

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

17 DEFERRED INCOME TAX ASSETS

The analysis of deferred tax assets is as follows:

	As at 31 December 2021 RMB million	As at 31 December 2020 RMB million
Deferred tax assets:		
– Deferred tax asset to be recovered after more than 12 months	**1,296**	908
– Deferred tax asset to be recovered within 12 months	**596**	549
	1,892	1,457

17 DEFERRED INCOME TAX ASSETS (Continued)

The movement in deferred income tax assets during the years ended 31 December 2021 and 2020 are as follows:

	Accrued expenses RMB million	Deferred government grants RMB million	Credit loss allowance RMB million	Tax impact of lease accounting under IFRS16 RMB million	Restricted share incentive scheme RMB million	Employee defined benefit obligation RMB million	Total RMB million
Deferred tax assets arising from:							
At 1 January 2020	582	19	95	441	62	–	1,199
Credited to profit or loss	125	0	85	31	9	8	259
Charged to other comprehensive income	–	–	–	–	–	–	–
Credited directly to equity	–	–	–	–	–	–	–
At 31 December 2020	707	19	180	472	71	8	1,457
Credited to profit or loss	**319**	**13**	**57**	**115**	**(71)**	**2**	**435**
Charged to other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Credited directly to equity	**–**	**–**	**–**	**–**	**–**	**–**	**–**
At 31 December 2021	**1,026**	**32**	**237**	**587**	**–**	**10**	**1,892**

For the years ended 31 December 2021 and 2020, there were no unrecognised deferred tax assets in respect of the deductible temporary differences and unused tax losses.

(Expressed in RMB unless otherwise indicated)

18 SUBSIDIARIES

As at 31 December 2021, 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 and place of operation
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 in Laos
Smart Tower Corporation Limited (Note (ii))	The People's Republic of China; Limited liability company	RMB 19.60 million	100%	Integrated information services in China
Energy Tower Corporation Limited (Note (ii))	The People's Republic of China; Limited liability company	RMB 1,754.65 million	100%	Power generation and energy storage services in China

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 2021, 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.

19 OTHER NON-CURRENT ASSETS

	As at 31 December 2021 RMB million	As at 31 December 2020 RMB million
Input VAT recoverable – non-current portion (Note (i))	**3,521**	5,882
Others (Note (ii))	**497**	415
	4,018	6,297

Note:

(i) The Group obtained input VAT from its purchase of assets (i.e. towers, equipment and property) and services that were subject to VAT in the PRC. Input VAT recoverable mainly represents the input VAT carried forward from capital investment and material procurement.The input VAT recoverable can be carried forward indefinitely to set-off future output VAT according to the relevant VAT regulations of the PRC.

(ii) Others mainly include purchased software, which are recognised at their initial costs and amortised over their estimated useful lives (generally 5-10 years).

20 TRADE AND OTHER RECEIVABLES

	As at 31 December 2021 RMB million	As at 31 December 2020 RMB million
Trade receivables (Note (a))	**30,211**	25,409
Loss allowance	**(1,223)**	(774)
Trade receivables – net	**28,988**	24,635
Deposits (Note (b)(i))	**1,378**	998
Payments on behalf of customers (Note (b)(ii))	**3,827**	5,023
Others	**2**	2
Loss allowance	**(1)**	–
Other receivables – net	**5,206**	6,023
Trade and other receivables	**34,194**	30,658

As at 31 December 2021 and 2020, trade and other receivables were primarily denominated in RMB and their carrying amounts approximated their fair values.

For the year ended 31 December 2021, the Group wrote off trade receivables in amount of approximately RMB5 million (for the year ended 31 December 2020: RMB10 million).

20 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 are as follows:

	As at 31 December 2021 RMB million	As at 31 December 2020 RMB million
Up to 3 months	**14,218**	19,268
3 to 6 months	**7,127**	3,749
6 months to 1 year	**6,368**	1,770
1 year to 2 years	**1,903**	386
Over 2 years	**595**	236
	30,211	25,409

Trade receivables are analysed by customers:

	As at 31 December 2021 RMB million	As at 31 December 2020 RMB million
China Mobile Company and its subsidiaries	**15,090**	11,630
China Unicom Corporation	**6,823**	6,292
China Telecom	**4,952**	5,108
Others	**3,346**	2,379
	30,211	25,409

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

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

As at 31 December 2021, acceptance notes issued by banks and commercial acceptance bill included in trade receivables is RMB438 million and RMB6,553 million respectively (2020: RMB555 million and RMB4,764 respectively).

20 TRADE AND OTHER RECEIVABLES (Continued)

(b) Other receivables

(i) Deposits primarily include deposits for site ground lease, office premises lease, and equipment purchase. They are primarily within 1 year and considered to be of low credit risk. The expected credit loss is not material.

(ii) Payments on behalf of customers mainly represent the payments made by the Group on behalf of the Three TSPs to their suppliers for certain sites electric power 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. The expected credit loss model for payments on behalf of the Three TSPs are the same with the trade receivables from the Three TSPs.

21 PREPAYMENTS AND OTHER CURRENT ASSETS

	As at 31 December 2021 RMB million	As at 31 December 2020 RMB million
Advance prepayments (Note(a))	**1,455**	1,891
Input VAT recoverable – Current portion (Note 19(i))	**6,220**	5,609
Others	**4**	4
	7,679	7,504

Note:

(a) As at 31 December 2021, advance payments 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.

22 CASH AND CASH EQUIVALENTS

	As at 31 December 2021 RMB million	As at 31 December 2020 RMB million
Cash at bank and on hand		
– RMB	**6,412**	4,970
– HKD	**49**	68
– USD	**9**	4
– LAK	**1**	–
	6,471	5,042

The cash at bank and on hand are substantially denominated in RMB.

23 SHARE CAPITAL

Registered, issued and fully paid:

	Year ended 31 December			
	2021		2020	
	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**	176,008	176,008
At end of year (RMB1.00, par value)	**176,008**	**176,008**	176,008	176,008

24 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	Other reserves RMB million	Retained earnings RMB million	Total RMB million
As at 1 January 2020		3,694	475	(1,735)	247	–	3,870	6,551
Total comprehensive income for the year		–	–	–	–	–	6,428	6,428
Acquisition of own shares under restricted share incentive scheme	25	–	–	(219)	–	–	–	(219)
Dividends paid		–	–	–	–	–	(2,561)	(2,561)
Employee share scheme-value of employee services		–	–	–	38	–	–	38
Transfer to PRC statutory reserves		–	643	–	–	–	(643)	–
As at 31 December 2020		3,694	1,118	(1,954)	285	–	7,094	10,237
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**(1)**	**7,329**	**7,328**
Dividends paid		**-**	**-**	**-**	**-**	**-**	**(3,934)**	**(3,934)**
Employee share scheme-value of employee services		**-**	**-**	**-**	**(285)**	**-**	**-**	**(285)**
Transfer to statutory reserves		**-**	**731**	**-**	**-**	**-**	**731**	**-**
As at 31 December 2021		**3,694**	**1,849**	**(1,954)**	**-**	**(1)**	**9,758**	**13,346**

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.

24 RESERVES AND DIVIDENDS (Continued)

(b) Dividends

(i) Dividends declared

	Year ended 31 December	
	2021	2020
	RMB million	RMB million
Ordinary shares:		
Final dividend declared for the year ended 31 December 2020 of RMB0.02235 (2019: RMB0.01455) per ordinary share	**3,934**	2,561

(ii) Dividends proposed and not recognised as liabilities at the end of reporting period

On 9 March 2022, the Board of Directors of the Company proposed a dividend of RMB0.02624 per ordinary share to the shareholders for the year ended 31 December 2021, approximately RMB4,618 million in total. As the ordinary final dividend is declared after the balance sheet date, such dividend is not recognised as liability as at 31 December 2021.

	Year ended 31 December	
	2021	2020
	RMB million	RMB million
Dividends not recognised at the end of reporting period:		
Proposed final dividend after the balance sheet date: RMB0.02624 (2020: RMB0.02235) per ordinary share	**4,618**	3,934

25 RESTRICTED SHARE INCENTIVE SCHEME

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

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 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. Upon unlocking, Scheme Participants will entitle to the related shares (including the dividends declared on the underlying shares granted and vested) provided all of the required performance conditions are met and Scheme Participants are still in employment with the Company.

On 18 April 2019 (the "First Grant Date"), 1,112 million restricted shares were granted at grant price of RMB1.03 per share. On 19 December 2019 (the "Second Grant Date"), additional 93 million restricted shares were granted at the same grant price of RMB1.03 per share. The fair value of the restricted shares granted on the First Grant Date and the Second Grant Date were determined as RMB0.85 per share and RMB0.53 per share, respectively.

25 RESTRICTED SHARE INCENTIVE SCHEME (Continued)

	Year ended 31 December			
	2021		2020	
	Weighted Average Fair Value (per share) (RMB Yuan)	**Number of Restricted Shares Granted (Million)**	Weighted Average Fair Value (per share) (RMB Yuan)	Number of Restricted Share Granted (Million)
As at 1 January	**0.82**	**713**	0.83	1,199
Granted during the year	**–**	**–**	–	–
Forfeited during the year	**0.82**	**(361)**	0.82	(486)
As at 31 December	**0.82**	**352**	0.82	713

For the year ended 31 December 2021, the Company reversed previously recognised share-based compensation expense of RMB162 million as a result of not meet a non-market performance conditions during the vesting period stipulated under the Scheme, which resulted in 354 million restricted shares being forfeited. In addition there were 7 million shares being forfeited due to certain Scheme Participants having resigned from the Company.

For the year ended 31 December 2021, the Company also reversed previously recognised share-based compensation expense of RMB123 million with not expected to meet a non-market performance conditions in future vesting period stipulated under the Scheme.

For the year ended 31 December 2020, the Company reversed previously recognised share-based compensation expense of RMB131 million as a result of not meet a non-market performance conditions during the vesting period stipulated under the Scheme, which resulted in 475 million restricted shares being forfeited. In addition there were 11 million shares being forfeited due to certain Scheme Participants having resigned from the Company.

A trust entity (the "Trustee") is appointed and authorised by the Board to acquire certain numbers of H share from the secondary market for the Scheme. The acquired shares are held by Trustee until such shares are vested in accordance with the provisions of the Scheme. Upon vesting, Trustee will transfer shares to Scheme Participants according to the Group's instruction. If the performance conditions or service conditions are not fulfilled and the corresponding tranche of shares granted are forfeited before vesting, the grant price will be repaid back to Scheme Participants.

During the year ended 31 December 2021, Trustee did not acquire any H share (2020: acquired 143 million H shares at a total cash considerations of RMB219 million).

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

	As at 31 December 2021		As at 31 December 2020	
	Number of shares (million)	**Shares held under restricted share incentive scheme (RMB million)**	Number of shares (million)	Shares held under restricted share incentive scheme (RMB million)
Shares held under restricted share incentive scheme	**1,196**	**1,954**	1,196	1,954

During the year ended 31 December 2021, the Company returned the cash to Scheme Participants of RMB495 million. As at 31 December 2021, the Company received in cash from Scheme Participants under the Scheme in the amount of RMB727 million, which were recorded under "Accrued expenses and other payables" (2020: RMB1,222 million).

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26 BORROWINGS

(a) Borrowings

	As at 31 December 2021 RMB million	As at 31 December 2020 RMB million
Borrowings:		
Long-term borrowings (Note (i))		
– General Borrowings	**36,533**	22,694
– Preferential Borrowings	**5,150**	6,608
– Medium-term Notes (Note (iii))	**4,042**	–
Less: Current portion	**(4,153)**	(2,181)
Balance presented in non-current liabilities:	**41,572**	27,121
Short-term borrowings:		
Short-term loans (Note (ii))	**32,650**	48,700
Long-term borrowings – Current portion	**4,153**	2,181
Discounted notes (Note(iv))	**339**	–
Short-term commercial papers (Note (v))	**–**	11,118
Balance presented in current liabilities:	**37,142**	61,999

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.

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 government grants, which was amortised to the consolidated statement of comprehensive income to match with the related interest expenses.

As at 31 December 2021, the carrying amount of the Preferential Borrowings amounted to RMB5,150 million (2020: RMB6,608 million).

The carrying amount of the unsecured general long-term bank borrowings (the "General Borrowings") were RMB36,533 million at 31 December 2021 with maturity of 2 to 4 years (2020: RMB22,694 million with maturity of 3 to 5 years).

For the year ended 31 December 2021, the effective interest rates of all long-term borrowings were 2.25% to 3.60% per annum (2020: 2.25% to 4.35% per annum).

(ii) As at 31 December 2021, short-term loans include loans from China Mobile Group Finance Co., Ltd. (a subsidiary of China Mobile Company) of RMB2,500 million (2020: RMB2,500 million). The remaining short-term loans are obtained from commercial banks in the PRC.

For the year ended 31 December 2021, all short-term loans are unsecured, which bear interest rates ranging from 2.80% to 3.48% per annum (2020: from 2.80% to 3.92% per annum).

26 BORROWINGS (Continued)

(a) Borrowings (Continued)

Note: (Continued)

(iii) During the year ended 31 December 2021, the Company publicly issued Mid-term Notes in the China's Interbank Bond Market. The details of which are shown below:

Issue Date	Principal Amount (RMB million)	Paper titles	Period	Annual interest rate	Carrying amount as at 31 December 2021 (RMB million)
27 August 2021	**2,000**	Medium-Term Note 001	3 years	3.05%	2,021
30 August 2021	**2,000**	Medium-Term Note 002	3 years	3.07%	2,021
Total	**4,000**				4,042

The Mid-term Notes are unsecured.

The balance of Mid-term Notes as at 31 December 2021 included principal and related interest payable, amounted to RMB4,000 million and RMB42 million, respectively (2020: RMB0 million and RMB0 million, respectively).

(iv) For the year ended 31 December 2021, the total amount of discounted notes is RMB1,153 million, the discounted interest rate of the notes ranging from 2.73% to 3.30% per annum.

(v) During the year ended 31 December 2021 and 2020, the Company publicly issued Short-term commercial papers in the China's Interbank Bond Market. The details of which are shown below:

Issue Date	Principal Amount (RMB million)	Paper titles	Period	Annual interest rate	Carrying amount as at 31 December 2021 (RMB million)
22 April 2020	**2,000**	Tranche four of 2020 super short-term commercial paper	267 days	1.50%	–
23 April 2020	**4,000**	Tranche five of 2020 super short-term commercial paper	270 days	1.60%	–
27 April 2020	**2,000**	Tranche six of 2020 super short-term commercial paper	269 days	1.65%	–
22 July 2020	**3,000**	Tranche seven of 2020 super short-term commercial paper	268 days	2.30%	–
Total	**11,000**				–

Issue Date	Principal Amount (RMB million)	Paper titles	Period	Annual interest rate	Carrying amount as at 31 December 2020 (RMB million)
9 March 2020	4,000	Tranche one of 2020 super short-term commercial paper	178 days	2.05%	–
12 March 2020	2,000	Tranche two of 2020 super short-term commercial paper	180 days	2.05%	–
13 March 2020	2,000	Tranche three of 2020 super short-term commercial paper	179 days	2.00%	–
22 April 2020	2,000	Tranche four of 2020 super short-term commercial paper	267 days	1.50%	2,020
23 April 2020	4,000	Tranche five of 2020 super short-term commercial paper	270 days	1.60%	4,045
27 April 2020	2,000	Tranche six of 2020 super short-term commercial paper	269 days	1.65%	2,023
22 July 2020	3,000	Tranche seven of 2020 super short-term commercial paper	268 days	2.30%	3,030
Total	19,000				11,118

26 BORROWINGS (Continued)

(b) The repayment schedule of the borrowings

As at 31 December 2021 and 2020, borrowings are repayable as follows:

	As at 31 December 2021 RMB million	As at 31 December 2020 RMB million
Within 1 year	**37,142**	61,999
Between 1 and 2 years	**28,356**	3,338
Between 2 and 5 years	**13,216**	23,616
Over 5 years	**–**	167
	78,714	89,120

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

The carrying values of the long-term borrowings approximate their fair values, as the long-term borrowings were carried at market interest rate and 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 2021 and 2020. They are within level 3 of the fair value hierarchy.

27 DEFERRED GOVERNMENT GRANTS

Deferred government grants mainly represents the government grants obtained by the Group including the interest subsidy associated with the Preferential Borrowings.

	As at 31 December 2020	Addition	Recognized	**As at 31 December 2021**
Preferential Borrowings (Note 26(a)(i))	468	–	(191)	**277**
Other government grants	134	135	(110)	**159**
Total	602	135	(301)	**436**

28 ACCOUNTS PAYABLE

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

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

	As at 31 December 2021 RMB million	As at 31 December 2020 RMB million
Less than 6 months	**18,204**	22,747
6 months to 1 year	**2,092**	6,250
More than 1 year	**4,968**	2,463
	25,264	31,460

29 ACCRUED EXPENSES AND OTHER PAYABLES

	As at 31 December 2021 RMB million	As at 31 December 2020 RMB million
Interest payable	**146**	146
Deposits from vendors	**1,664**	1,612
Accrued expenses	**1,087**	924
Salary and welfare payables	**1,102**	890
Contract liabilities (Note 6 (iii))	**1,388**	834
Other tax payables	**228**	124
Cash received from Scheme Participants under restricted share incentive scheme (Note 25)	**727**	1,222
	6,342	5,752

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

30 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	
	2021	2020
	RMB million	RMB million
Profit before taxation	**9,615**	8,407
Adjustments for:		
– Expected credit loss allowance provided	**455**	389
– Depreciation and amortisation (Note 14, 16 and 19)	**49,982**	47,515
– Loss on write-off/disposal of property and equipment (Note 9)	**868**	1,100
– Interest income	**(22)**	(36)
– Share-based compensation expenses under restricted share incentive scheme (Note 7)	**(285)**	38
– Finance costs (Note 11)	**3,745**	3,959
– Share of net loss of associates	**1**	–
– Gain on early termination of lease contracts (Note 10)	**–**	(114)
Operating cash flow before changes in working capital	**64,359**	61,258
– Increase in trade and other receivable	**(3,536)**	(4,400)
– (Increase)/Decrease in prepayments and other current assets	**(3,136)**	1,010
– Decrease in other non-current assets	**5,322**	1,288
– Increase/(Decrease) in accounts payable	**1,176**	(501)
– (Decrease)/Increase in accrued expenses and other payables	**(1,085)**	1,077
Cash generated from operations	**63,100**	59,732

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

	Year ended 31 December	
	2021	2020
	RMB million	RMB million
Net book amount	**2,028**	1,201
Losses on write-off/disposal of property and equipment	**(868)**	(1,100)
Proceeds from disposal of property and equipment	**1,160**	101

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

(c) Net debt reconciliation for liabilities arising from financing activities:

	As at 31 December 2021 RMB million	As at 31 December 2020 RMB million
Net Debt		
Cash and cash equivalents	**6,471**	5,042
Borrowings – repayable within one year	**(37,142)**	(61,999)
Borrowings – repayable after one year	**(41,572)**	(27,121)
Lease liabilities	**(22,590)**	(23,751)
	(94,833)	(107,829)

	As at 31 December 2021 RMB million	As at 31 December 2020 RMB million
Net Debt		
Cash and cash equivalents	**6,471**	5,042
Gross debt – fixed interest rates	**(57,172)**	(81,696)
Gross debt – variable interest rates	**(44,132)**	(31,175)
	(94,833)	(107,829)

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

(c) Net debt reconciliation for liabilities arising from financing activities: (Continued)

	Assets	Liabilities from financing activities		
	Cash and cash equivalents	Borrowing	Lease liabilities	Total
	RMB million	RMB million	RMB million	RMB million
Net debt as at 1 January 2020	6,223	(95,499)	(24,854)	(114,130)
Cash flows, net	(1,186)	6,594	9,031	14,439
Foreign exchange adjustments	5	–	–	5
Non-cash movement:				
– Lease liabilities	–	–	(6,606)	(6,606)
– Deferred or accrual	–	(215)	(1,322)	(1,537)
Net debt as at 31 December 2020	5,042	(89,120)	(23,751)	(107,829)
Cash flows, net	**1,428**	**10,521**	**9,902**	**21,851**
Foreign exchange adjustments	**1**	**–**	**–**	**1**
Non-cash movement:				
– Lease liabilities	**–**	**–**	**(7,497)**	**(7,497)**
– Deferred or accrual	**–**	**(115)**	**(1,244)**	**(1,359)**
Net debt as at 31 December 2021	**6,471**	**(78,714)**	**(22,590)**	**(94,833)**

31 CONTINGENCIES

As of 31 December 2021 and 2020, the Group had no material contingencies.

32 COMMITMENTS

(a) Capital commitments

As at 31 December 2021 and 2020, the Group had capital commitments for construction expenditures and acquisition of properties as follows:

	As at 31 December 2021 RMB million	As at 31 December 2020 RMB million
Authorised and contracted for:		
No later than 1 year	1,883	2,399
Later than 1 year and no later than 5 years	–	–
	1,883	2,399

(b) Non-cancellable leases payment related to short-term lease and low-value lease

	As at 31 December 2021 RMB million	As at 31 December 2020 RMB million
No later than 1 year	647	625
	647	625

(c) Non-cancellable lease receivable

As at 31 December 2021, the Group had future aggregate minimum lease receivable under non-cancellable operating leases (as lessor) during the leasing period (5 years) amounting to approximately RMB66,968 million (2020: RMB150,904 million).

Notes to the Consolidated Financial Statements
(Expressed in RMB unless otherwise indicated)

33 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	Note	As at 31 December 2021 RMB million	2020 RMB million
Assets			
Non-current assets			
Property, plant and equipment		**219,431**	230,798
Right-of-use assets		**32,877**	34,553
Construction in progress		**14,402**	19,820
Deferred income tax assets		**1,826**	1,453
Other non-current assets		**4,005**	6,219
Investment to subsidiary		**1,782**	779
		274,323	293,622
Current assets			
Trade and other receivables		**34,687**	30,591
Prepayments and other current assets		**7,493**	7,484
Cash and cash equivalents		**6,304**	4,901
		48,484	42,976
Total assets		**322,807**	336,598
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	23	**176,008**	176,008
Reserves	33(a)	**13,336**	10,243
Total equity		**189,344**	186,251
Liabilities			
Non-current liabilities			
Borrowings		**41,544**	27,102
Employee benefit obligations		**38**	31
Lease liabilities		**15,677**	16,745
Deferred government grants		**433**	602
		57,692	44,480

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

Balance sheet of the Company (Continued)

	Note	As at 31 December 2021 RMB million	2020 RMB million
Current liabilities			
Borrowings		**37,142**	61,999
Lease liabilities		**6,913**	7,006
Accounts payable		**24,907**	30,793
Accrued expenses and other payables		**6,345**	5,653
Current income tax payable		**464**	416
		75,711	105,867
Total liabilities		**133,463**	150,347
Total equity and liabilities		**322,807**	336,598

The balance sheet of the Company was approved by the Board of Directors on 9 March 2022 and was signed by the following directors on its behalf:

ZHANG Zhiyong	**GU Xiaomin**
Name of Director	Name of Director

Notes to the Consolidated Financial Statements
(Expressed in RMB unless otherwise indicated)

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

(a) Reserve movement of the Company

	Note	Share premium RMB million	Statutory reserves RMB million	Shares held under restricted share incentive scheme RMB million	Share based Compensation reserves RMB million	Other reserves RMB million	Retained earnings RMB million	Total RMB million
At 1 January 2020		3,694	475	(1,735)	247	–	3,877	6,558
Profit for the year		–	–	–	–	–	6,427	6,427
Dividends	24	–	–	–	–	–	(2,561)	(2,561)
Acquisition of own shares under restricted share incentive scheme	25	–	–	(219)	–	–	–	(219)
Employee share scheme – value of employee services	25	–	–	–	38	–	–	38
Transfer to statutory reserves		–	643	–	–	–	(643)	–
At 31 December 2020		3,694	1,118	(1,954)	285	–	7,100	10,243
Profit for the year		-	-	-	-	-	7,313	7,313
Other comprehensive income		-	-	-	-	(1)	-	(1)
Dividends	24	-	-	-	-	-	(3,934)	(3,934)
Employee share scheme – value of employee services	25	-	-	-	(285)	-	-	(285)
Transfer to statutory reserves		-	731	-	-	-	(731)	-
At 31 December 2021		3,694	1,849	(1,954)	-	(1)	9,748	13,336

34 RELATED PARTY TRANSACTIONS

The Company is a limited liability company established in the PRC. As of 31 December 2021, 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., China United Network Communications Group Company Limited and China Telecommunications Corporation, 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.

(a) Significant transactions with related parties

	Note	Year ended 31 December 2021 RMB million	2020 RMB million
Provision of Tower business, DAS and other services	(i)	**80,841**	77,370
Purchases of various goods and services	(ii)	**6,572**	6,979
Rental charges for property and site ground lease	(iii)	**409**	297
Payments on behalf of related parties	(iv)	**26,666**	22,885
Short term borrowings	(v)	**2,588**	2,717
– Principals		**2,500**	2,500
– Interests		**88**	217

Note:

(i) Provision of Tower business, DAS and other services

The provisions of the Tower business and DAS 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.

For the year ended 31 December 2021, based on the mutual agreement reached with each of the Three TSPs, for the Tower business, the co-location discount policy that had been applied prior to the year of 2021 for the existing sharing parties under the Commercial Pricing Agreements and related supplemental agreements continued to be applied.

Besides, the Group also provides smart tower business, energy business and other services to CMCC Group, CUC Group and CTC Group, respectively.

(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.

34 RELATED PARTY TRANSACTIONS (Continued)

(a) Significant transactions with related parties (Continued)

Note: (Continued)

(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.

For the year ended 31 December 2021, 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 20 (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.

(b) Key management compensation

The remuneration of key management personnel is as follows:

	Year ended 31 December	
	2021	2020
	RMB thousand	RMB thousand
Salaries, allowances and bonuses	**5,510**	4,857
Contributions relating to social insurance and housing fund	**390**	344
Retirement benefits	**665**	356
	6,565	5,557

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 RMB600 thousand was paid to members of key management for their past performance in 2021 (2020: 460 thousand).

The key management of the Group had 5 members for the year ended 31 December 2021 (2020: 5 members).

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

34 RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties

(i) Amount due from related parties

	As at 31 December	
	2021	2020
	RMB million	RMB million
Trade and other receivables	**30,267**	28,055
Prepayments and other current assets	**139**	147
Right-of-use assets	**417**	465

(ii) Amount due to related parties

	As at 31 December	
	2021	2020
	RMB million	RMB million
Accounts Payable	**3,501**	5,414
Accrued expense and other payable	**350**	358
Lease liabilities	**582**	596

Except for lease liabilities, the balances of amount due from/to related parties are unsecured, non-interest bearing and repayable on demand.

(iii) Short-term borrowings from related parties

The balances of short-term borrowings from related parties (non-trade) were RMB2,500 million at 31 December 2021 (2020: RMB2,500 million), arising from the short-term borrowings from certain related parties as described in Note 34 (a) (v).

34 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 34(a)), the Group has significant transactions with other government-related entities, which include but not limited to the following:

- provisioning of smart tower 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.

35 EVENTS AFTER THE REPORTING PERIOD

Dividend

On 9 March 2022, the Board of Directors proposed a final dividend for the year ended 31 December 2021. Further details are disclosed in Note 24.

Financial Summary

(Expressed in RMB unless otherwise indicated)

RESULTS

	2021 RMB million	2020 RMB million	2019 RMB million	2018 RMB million	2017 RMB million
Operating revenue	**86,585**	81,099	76,428	71,819	68,665
Operating expenses					
Depreciation and amortisation	**(49,982)**	(47,515)	(45,415)	(32,692)	(32,642)
Repairs and maintenance	**(5,796)**	(5,805)	(5,993)	(6,165)	(6,156)
Employee benefits and expenses	**(6,875)**	(6,115)	(5,863)	(4,917)	(4,229)
Other operating expenses	**(10,897)**	(9,652)	(7,876)	(18,964)	(17,923)
	(73,550)	(69,087)	(65,147)	(62,738)	(60,950)
Operating profit	**13,035**	12,012	11,281	9,081	7,715
Other gains, net	**303**	318	154	153	149
Interest income	**22**	36	63	248	104
Finance costs	**(3,745)**	(3,959)	(4,661)	(6,007)	(5,283)
Profit before taxation	**9,615**	8,407	6,837	3,475	2,685
Income tax expense	**(2,887)**	(1,980)	(1,616)	(825)	(742)
Profit for the year	**7,382**	6,427	5,221	2,650	1,943
Profit attributable to:					
– Owners of the Company	**7,329**	6,428	5,222	2,650	1,943
– Non-controlling interests	**(1)**	(1)	(1)	–	–
Other comprehensive income for the year, net of tax	**(1)**	–	–	–	–
Total comprehensive income for the year	**7,327**	6,427	5,221	2,650	1,943
Total comprehensive income for the year attributable to:					
– Owners of the Company	**7,328**	6,428	5,222	2,650	1,943
– Non-controlling interests	**(1)**	(1)	(1)	–	–
	7,327	6,427	5,221	2,650	1,943

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 2021 RMB million	31 December 2020 RMB million	31 December 2019 RMB million	31 December 2018 RMB million	31 December 2017 RMB million
Assets					
Non-current assets					
Property plant and equipment	**221,419**	231,684	239,925	249,055	258,138
Right-of-use assets	**32,877**	34,553	36,140	–	–
Construction in progress	**14,709**	20,185	12,263	12,193	10,930
Deferred income tax assets	**1,892**	1,457	1,199	706	689
Long-term prepayments	**–**	–	–	13,216	9,910
Other non-current assets	**4,018**	6,297	7,545	8,395	12,459
	274,915	294,176	297,072	283,565	292,126
Current assets					
Trade and other receivables	**34,194**	30,658	26,258	19,158	15,262
Prepayments and other current assets	**7,679**	7,504	8,514	7,805	7,403
Cash and cash equivalents	**6,471**	5,042	6,223	4,836	7,852
	48,344	43,204	40,995	31,799	30,517
Total assets	**323,259**	337,380	338,067	315,364	322,643
Equity and liabilities					
Equity attributable to owners of the Company					
Share capital	**176,008**	176,008	176,008	176,008	129,345
Reserves	**13,346**	10,237	6,551	4,494	(1,850)
Total equity attributable to owners of the Company	**189,354**	186,245	182,559	180,502	127,495
Non-controlling interests	**–**	1	2	–	–
Total equity	**189,354**	186,246	182,561	180,502	127,495
Liabilities					
Non-current liabilities					
Borrowings	**41,572**	27,121	8,480	19,064	43,793
Lease liabilities	**15,677**	16,745	17,862	–	–
Deferred government grants	**436**	602	800	1,039	1,314
Employee benefit obligation	**38**	31	–	–	–
	57,723	44,499	27,142	20,103	45,107
Current liabilities					
Borrowings	**37,142**	61,999	87,019	79,946	95,260
Lease liabilities	**6,913**	7,006	6,992	–	–
Deferred consideration payables – current portion	**–**	–	–	382	17,252
Accounts payable	**25,264**	31,460	29,313	30,591	31,906
Accrued expenses and other payables	**6,342**	5,752	4,641	3,263	5,400
Current income tax payable	**521**	418	399	577	223
	76,182	106,635	128,364	114,759	150,041
Total liabilities	**133,905**	151,134	155,506	134,862	195,148
Total equity and liabilities	**323,259**	337,380	338,067	315,364	322,643

Corporate Information

(as at the date of this report)

Company Name

China Tower Corporation Limited

Stock Code

Hong Kong Stock Exchange: 0788

Registered Office, Headquarters and Principal Place of Business in the PRC

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Yard No. 9, Dongran North Street
Haidian District, Beijing, PRC

Principal Place of Business in Hong Kong

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Company's Website

www.china-tower.com

Board of Directors

Mr. Zhang Zhiyong *(Executive Director and Chairman of the Board)*
Mr. Gu Xiaomin *(Executive Director and General Manager)*
Mr. Gao Tongqing *(Non-executive Director)*
Mr. Mai Yanzhou *(Non-executive Director)*
Mr. Liu Guiqing *(Non-executive Director)*
Mr. Zhang Guohou *(Independent Non-executive Director)*
Mr. Deng Shiji *(Independent Non-executive Director)*
Mr. Hu Zhanghong *(Independent Non-executive Director)*

Strategy Committee

Mr. Zhang Zhiyong *(Chairman)*
Mr. Gu Xiaomin
Mr. Gao Tongqing
Mr. Mai Yanzhou
Mr. Liu Guiqing
Mr. Zhang Guohou

Remuneration and Appraisal Committee

Mr. Deng Shiji *(Chairman)*
Mr. Mai Yanzhou
Mr. Zhang Guohou
Mr. Hu Zhanghong

Nomination Committee

Mr. Zhang Zhiyong *(Chairman)*
Mr. Gao Tongqing
Mr. Zhang Guohou
Mr. Deng Shiji
Mr. Hu Zhanghong

Audit Committee

Mr. Zhang Guohou *(Chairman)*
Mr. Liu Guiqing
Mr. Deng Shiji
Mr. Hu Zhanghong

Connected Transaction Committee

Mr. Hu Zhanghong *(Chairman)*
Mr. Gu Xiaomin
Mr. Zhang Guohou
Mr. Deng Shiji

Supervisory Committee

Ms. Fan Xiaoqing *(Chairman of the Supervisory Committee and Employee Representative Supervisor)*
Mr. Liu Wei *(Shareholder Representative Supervisor)*
Mr. Li Zhangting *(Shareholder Representative Supervisor)*
Ms. Han Fang *(Shareholder Representative Supervisor)*
Ms. Li Tienan *(Shareholder Representative Supervisor)*
Mr. Wang Hongwei *(Employee Representative Supervisor)*

Secretary of the Board

Ms. Liu Qingzhou

Authorized Representatives

Mr. Zhang Zhiyong
Mr. Gu Xiaomin

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
"2018-2020 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
"2018-2020 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
"2018-2022 Service Framework Agreements"	the Commercial Pricing Agreement(s), the Supplemental Agreement(s) to the Commercial Pricing Agreement(s) and the Service Agreement(s)
"2019 AGM"	the annual general meeting of the Company held on 21 May 2020
"2019-2020 Site Resource Service Framework Agreement with CMCC"	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
"2020 AGM"	the annual general meeting of the Company held on 12 May 2021
"2020 Second EGM"	the extraordinary general meeting of the Company held on 4 December 2020
"2021 AGM"	the annual general meeting of the Company to be held on 11 May 2022
"2020-2021 Materials Procurement Framework Agreement with CTC"	the materials procurement framework agreement dated 19 October 2020 between the Company and CTC
"2021-2023 Property Lease Framework Agreement(s)"	the property lease framework agreement dated 19 October 2020 between the Company and each of the Telecom Group Companies
"2021-2023 Service Supply Framework Agreement(s)"	the service supply framework agreement dated 19 October 2020 between the Company and each of the Telecom Group Companies

"2021-2023 Site Resource Service Framework Agreement with CMCC"	the agreement dated 19 October 2020 entered into between the Company and CMCC in relation to the provision of site resource service by the Company to CMCC and its associates
"2021-2023 Value-added Service Framework Agreement with CTC"	the value-added service framework agreement dated 19 October 2021 between the Company and CTC
"2022-2023 Materials Procurement Framework Agreement with CTC"	the materials procurement framework agreement dated 19 October 2021 between the Company and CTC
"2022 First EGM"	the extraordinary general meeting of the Company held on 14 January 2022
"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 Special Administrative Region of the PRC and Taiwan
"China Mobile"	(i) China Mobile Limited (中國移動有限公司), 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 directly and indirectly 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), 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), 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), 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), 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), 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)
"DAS"	indoor distributed antenna system, which is a system comprising of facilities for reception, emission and transmission of wireless communications signal for covering buildings, tunnels or other specific areas
"Davo Qihang"	Beijing Davo Qihang Management Consulting Services Co., Ltd. (北京達沃啟航管理諮詢服務有限公司), a wholly-owned subsidiary of China Reform and a company which held 2.14% equity interest in the Company as of the Financial Year End Date
"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 2021
"First Tranche of Grant"	the first tranche of Initial Grant under Restricted Share Incentive Scheme
"the 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
"Independent Third Party(ies)"	an entity which is independent of and not connected to the Company or its connected persons, and which is not a connected person of the Company
"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
"Proposed Annual Caps"	the proposed annual caps of transactions contemplated under the 2021-2023 Service Supply Framework Agreement with CTC for the three years ending 31 December 2021, 2022 and 2023
"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)"	the 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
"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
"Smart Tower business"	our trans-sector site application and information business
"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

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 2021 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 2021 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 2021 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.

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