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

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

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022

Highlights

- ❖ Operating revenue maintained good growth, reaching RMB92,170 million, up by 6.5%, of which:
 - Revenue from TSP business was RMB83,031 million, up by 3.5% over the same period last year, of which, revenue from tower business was RMB77,204 million, up by 1.8%; revenue from indoor distributed antenna system (“DAS”) business was RMB5,827 million, up by 34.3%
 - Revenue from Smart Tower business was RMB5,704 million, up by 40.5%
 - Revenue from Energy business was RMB3,200 million, up by 54.5%
- ❖ Site co-location efficiency improved continuously; tower tenancy ratio increased from 1.70 at the end of 2021 to 1.74.
- ❖ Profitability continued to improve; profit attributable to owners of the Company was RMB8,787 million, up by 19.9%.
- ❖ Cash flow remained stable and abundant; net cash generated from operating activities was RMB65,134 million; free cash flow² was RMB38,927 million.

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

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

CHAIRMAN’S STATEMENT

Dear Shareholders,

In 2022, as China continues to implement the state strategies of “Cyberpower”, “Digital China” and “dual carbon”, China Tower Corporation Limited (the “**Company**” or “**we**”) embraced the opportunities by working together as a cohesive team and upholding our founding philosophy of resource sharing. Positioning ourselves as a world-class integrated information and communications infrastructure service provider and a highly competitive information and new energy applications provider, we centered our business around sharing, service, innovation, technology, and value creation, built upon an operating system that is professional, intensive, delicate, efficient, and digitalized. The continued implementation of the “One Core and Two Wings” strategy has helped all businesses achieve steady growth. Our overall performance remained stable and new benefits offered by high-quality development have promoted further growth and enhanced the value of the Company.

FINANCIAL PERFORMANCE

Our operating revenue grew steadily by 6.5% year-on-year, reaching RMB92,170 million in 2022. EBITDA³ reached RMB62,844 million, with an EBITDA margin⁴ of 68.2%. Profit attributable to owners of the Company was RMB8,787 million, with a year-on-year growth of 19.9%. Our net profit margin was 9.5%, showing a continued improvement in profitability.

Our cash flow remained robust, with net cash generated from operating activities for 2022 reaching RMB65,134 million. Capital expenditures stood at RMB26,207 million, while free cash flow reached RMB38,927 million, or growth of 10.2% year-on-year. Our financial position remained healthy. As of 31 December 2022, total assets reached RMB305,560 million, interest-bearing liabilities were RMB79,119 million and our gearing ratio⁵ was 27.7%, a decrease of 5.7 percentage points from the year before.

Shareholder returns are one of our priorities. After considering our profitability, cash flow, and future development needs, the board of directors of the Company (the “**Board**”) has recommended a final dividend of RMB0.03232 per share (pre-tax) for the year ended 31 December 2022, equivalent to a payout ratio of 72% of our annual distributable net profit.

BUSINESS PERFORMANCE

By unwaveringly adhering to and implementing the “One Core and Two Wings” strategy, we strengthened our ability in coordinating and sharing resources in 2022 while elevating reforms and innovation. As a result, our TSP business continued to see stable development, while our Smart Tower and Energy businesses maintained strong growth.

Note 3: EBITDA is calculated by operating profit plus depreciation and amortization.

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

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

Driven by the “5G + DAS” dual growth engines, TSP business grew steadily

We capitalized on the increasing penetration of 5G network coverage by reinforcing our advantages in resource coordination and sharing and professional management to streamline our construction and service models. This has enabled us to address our customers’ network construction needs in an intensive and effective manner. Our TSP business revenue reached RMB83,031 million in 2022, an increase of 3.5% year-on-year.

Tower business. We advocated for the inclusion of 5G base-station sites in development planning and played an active role in setting the wireless communications specifications for buildings. Complying with these specifications, we have been included in the administrative approval process for new construction projects, further strengthening our ability to coordinate and share resources. We launched innovative low-cost construction solutions to sharpen our capability in providing integrated wireless communications coverage solutions. A higher level of resource sharing enabled us to comprehensively satisfy customer demand for 5G construction. We completed approximately 745,000 5G base-stations during the year, of which more than 96% were delivered through sharing existing resources. In addition, we focused our efforts on tackling difficult sites and continued to enhance our service quality. Alongside an improving capability in site maintenance, customer satisfaction grew. In 2022, our Tower business generated revenue of RMB77,204 million, or year-on-year growth of 1.8%. As of 31 December 2022, we managed 2.055 million tower sites, representing a net increase of 17,000 sites from the end of 2021. The number of TSP tenants reached 3.362 million, an increase of 102,000 from the end of 2021, and the TSP tenancy ratio also increased from 1.60 to 1.65 over the same period of last year, showing a continuous increase in the level of site co-location.

DAS business. We focused on providing 5G coverage for key scenarios and key sectors including education, cultural tourism, transportation, and healthcare, with an integrated approach to coordinating resources and demands. Playing an important role in coordinating site entry and construction, we were able to take up all DAS construction demand for key venues, scenarios, and sectors, providing customers with differentiated and diversified indoor coverage solutions. In addition, we stepped up innovation to develop sharable DAS products and solutions. We enhanced our professional capabilities to optimize our advantages in providing low-cost and green and low-carbon DAS solutions, complemented by our quality services, driving accelerated growth in the DAS business. This business has increasingly become the second growth engine of our development. In 2022, our DAS business recorded revenue of RMB5,827 million, representing a year-on-year increase of 34.3%. As of 31 December 2022, we had covered buildings with a cumulative area of 7,390 million square meters, representing a year-on-year increase of 48.1%. Our high-speed railway tunnels and subway coverage reached a cumulative length of 20,040.2 kilometers, a year-on-year increase of 18.5%.

Grasping strategic opportunities to boost strong growth in Two Wings business

By leveraging the opportunities brought forth by the growth of the “digital economy” and the “dual carbon” goals, we focused on product innovation and business optimization to fortify our competitive advantages. As a result, the Two Wings business sustained a robust growth trajectory with revenue in 2022, reaching RMB8,904 million and accounting for 9.7% of our overall operating revenue, an increase of 2.6 percentage points from the same period in 2021. The business contributed 49.7% to our incremental operating revenue for the year, an increase of 9.7 percentage points year-on-year, further solidifying our multi-pillar business development structure.

With a focus on “Digital Tower”, Smart Tower business growth accelerated. Serving the national strategic goals. We stood at the forefront of the digital economy to seize opportunities arising from its development, playing a proactive role in building the national governance system. By upgrading over 200,000 “telecommunication towers” to “digital towers”, we helped enforce fishing prohibition along the Yangtze River, as well as taking part in ecological restoration, farmland protection, forestry fire prevention and other national initiatives. In doing so, we contributed to projects including alleviating pollution, conserving the ecology of the Yangtze River and safeguarding China’s 1.8 billion mu of farmland. This approach not only supported the development of Ecological China and Beautiful China, but also enhanced efficiency and value of the Company. **Enhancing product capabilities.** We increased investment in research and development (R&D) to speed up product upgrade and iteration. Our Tower Monitoring products continued to establish their leadership centered around five areas – platform, data, algorithm, application, operation. We launched seven industrial application of Tower Monitoring products covering the smart protection of forestry, farmland, wheat, blue skies, reservoirs, fishery, and villages, as well as the smart monitoring of straw burning. These products helped us address the diverse needs of our customers. **Upgrading customer services.** We have built out a one-on-one, face-to-face, and round-the-clock “companion” service system that covers every procedure to offer our customers professional, systematic and personalized services. We put in place sound information security and data protection and are continuously improving our customer service quality. In 2022, our Smart Tower business achieved revenue of RMB5,704 million, a year-on-year increase of 40.5%, of which RMB3,694 million or 64.8% was generated from Tower Monitoring business.

Stepping up business development provided strong growth momentum for Energy business. Aligning with the national “dual carbon” goals, we leveraged our abundant site resources to continuously strengthen core capabilities, supporting our overarching strategy of developing our expertise, strengthening our platform, optimizing our service, and building our brand in this space. In core business areas such as battery exchange and power backup, we focused on scaling up and specializing operations. For our **battery exchange business**, we accelerated network expansion in a cost-effective manner, taking a deep dive into the takeaway and delivery market and strengthening collaboration with business customers to maintain growth in our user base. As of 31 December 2022, we have approximately 902,000 battery exchange users, an increase of 290,000 from the end of 2021, further strengthening our leadership position in terms of user base. For the **power backup business**, we focused on key sectors such as telecommunications and finance, enriching our standardized power backup products and marketing the four-in-one solution covering power backup, power generation, monitoring and maintenance, which plays an important role in supporting the smooth running of infrastructure in our society. In 2022, our Energy business achieved revenue of RMB3,200 million, a year-on-year increase of 54.5%, of which the battery exchange business accounted for RMB1,800 million, with its contribution to the Energy business reaching 56.3%.

CORPORATE GOVERNANCE AND SOCIAL RESPONSIBILITY

We always place great emphasis on comprehensive risk management by continually strengthening our internal control and legal compliance system to enhance our ability to prevent and mitigate risks. We continue to streamline our governance mechanism and ability to maintain high-level corporate governance, ensuring a robust foundation for our solid and high-quality development.

We have received wide recognition for our commitment to corporate social responsibility and for meeting our obligations to serve communities. In 2022, we successfully delivered reliable communications services for major events such as the Beijing 2022 Winter Olympics, the Beijing 2022 Paralympics Winter Games, and the Communist Party of China’s 20th National Congress. In addition, in times of natural disasters and emergencies – for example, pandemic prevention and control and disaster relief missions – we stood at the forefront and safeguarded communications lifelines. We continued to promote the development of wireless communications infrastructure in remote areas to pave the “information expressway”, which is essential for eliminating the digital divide between urban and rural areas and for supporting rural revitalization. Our green operations, including increased sharing, energy saving and emission reduction measures at base-stations, and the use of new energy, have supported China’s carbon peaking and carbon neutrality goals.

OUTLOOK

Looking ahead, we will remain focused on grasping the opportunities brought by the development of 5G new infrastructure, the digital economy, and the green-oriented transition of energy. Anchored around our positioning as a world-class information and communications infrastructure service provider and a highly competitive information and new energy applications provider, we will further the implementation of the “One Core and Two Wings” strategy and continue to drive development centered around sharing, service, innovation, technology, and value creation. In doing so, we will build upon an operating system that is professional, intensive, delicate, efficient, and digitalized, solidifying the new paradigm of high-quality development and creating greater value for shareholders, customers, and society.

TSP business: We are dedicated to meeting the network construction needs of our customers through our innovative construction and service models. We will provide low-cost and highly efficient coverage to our customers through promoting our integrated wireless communications coverage solutions. Built on the Commercial Pricing Agreements and Service Agreements with the TSPs, we will continue to introduce innovative service solutions, enhance service capabilities, and improve customer experience, foster customer cooperation, to consolidate our market competitiveness. In view of the extension of 5G network to wider indoor coverage, we will coordinate resources and customer construction needs while innovating in our products and solutions. Coordinated site entry and construction will help us reduce construction time and improve the delivery efficiency of DAS projects. Our goal is to establish a commanding position in the new DAS market and consolidate the “5G + DAS” dual growth engines. In terms of accelerating the implementation of digitalized operations, we will follow the principles of “coordinated planning, phased implementation, prioritizing capabilities, and making constant progress” to achieve a higher level of digitalized and precise management that will enhance our professional operations and maintenance capabilities, as well as further expedite digitalization.

Smart Tower business: Our primary focus will be on leveraging the advantages of extensive site locations and coverage, and mid-to-high point monitoring capabilities, continuing to transform “telecommunication towers” into “digital towers”, and turning “telecommunication shelters” into “digital shelters”. Speeding up the R&D of Tower Monitoring industrial applications products will help us better meet the market demand for customized products. This will enable us to forge our market leadership in both products and services. Furthermore, we will actively explore ways to empower industries serving the national economy and people’s livelihoods with digitalization. We will strengthen our customer-centric “companion” services by improving our service system and response process to address customer requests in a timely manner, with an aim to enhance the customer experience.

Energy business: In terms of battery exchange, we will deep-dive into the takeaway and courier businesses, with the aim of improving service quality and enhancing customer satisfaction. We will consolidate our leading position in the light electric vehicle mobility market. In addition, we will provide reliable power backup service to key industries, promoting a comprehensive solution that includes power backup, power generation, monitoring, and maintenance. This will not only improve our competitiveness across different segments but also establish us as a trusted “energy butler” for our customers. To achieve these goals, we will increase our investment in R&D and build a smart energy platform, enhancing the intelligent operation and management of our Energy business.

Looking forward, we will remain focused on innovation as a key driving force for our development. Centering on key areas and critical projects, we will systematically progress the R&D in technology and products related to DAS, Tower Monitoring AI, green energy applications and more. We will leverage high-quality innovation in technology and products to generate new growth momentum. Moreover, we will deepen collaboration with enterprises along the industry chain, as well as universities and research institutions, to foster the innovation and R&D ecosystem that embraces open cooperation. By doing so, we will promote innovation across the board. Lastly, we will continue to simulate the creativity and vitality of our talent by putting in place robust systems and mechanisms to create a conducive environment for tech talent and drive the sustainable development of the Company.

Finally, I would like to take this opportunity to express my heartfelt gratitude to Mr. Deng Shiji, who has resigned as a director of the Company, for his outstanding contributions to the Company’s development during his term of service. I would also like to extend my warmest welcome to Mr. Fang Xiaobing, Mr. Dong Chunbo, and Mr. Sin Hendrick, who have joined the Board as new members.

On behalf of the Board, I would like to thank all our employees for their dedication, our customers for their strong support, all our shareholders for their trust, and the wider community for the assistance and encouragement we have received over the years.

Zhang Zhiyong
Chairman

Beijing, China, 2 March 2023

GROUP RESULTS

China Tower Corporation Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2022 extracted from the audited consolidated financial statements of the Group as set out in its 2022 annual report to be published in due course.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022

(Expressed in RMB)

		Year ended 31 December	
	Note	2022	2021
		RMB million	RMB million
Operating revenue	4	<u>92,170</u>	<u>86,585</u>
Operating expenses			
Depreciation and amortisation		(49,532)	(49,982)
Repairs and maintenance		(7,593)	(5,796)
Employee benefits and expenses		(7,940)	(6,875)
Site operation and support expenses	5	(5,857)	(5,161)
Other operating expenses	6	<u>(7,936)</u>	<u>(5,736)</u>
		<u>(78,858)</u>	<u>(73,550)</u>
Operating profit		<u>13,312</u>	<u>13,035</u>
Other gains, net		1,095	303
Interest income		124	22
Finance costs		<u>(3,003)</u>	<u>(3,745)</u>
Profit before income tax		11,528	9,615
Income tax expense	7	<u>(2,741)</u>	<u>(2,287)</u>
Profit for the year		<u>8,787</u>	<u>7,328</u>
Profit attributable to:			
Owners of the Company		8,787	7,329
Non-controlling interests		<u>-</u>	<u>(1)</u>

Consolidated Statement of Comprehensive Income (Continued)

For the year ended 31 December 2022

(Expressed in RMB)

		Year ended 31 December	
	Note	2022	2021
		RMB million	RMB million
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		–	–
Income tax relating to this item		–	–
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurements of post-retirement benefit obligations		–	(1)
Income tax relating to this item		–	–
		<u>–</u>	<u>–</u>
Other comprehensive income for the year, net of tax		<u>–</u>	<u>(1)</u>
Total comprehensive income for the year		<u>8,787</u>	<u>7,327</u>
Total comprehensive income for the year attributable to:			
Owners of the Company		8,787	7,328
Non-controlling interests		–	(1)
		<u>–</u>	<u>(1)</u>
		<u>8,787</u>	<u>7,327</u>
Basic and diluted earnings per share (in RMB Yuan)			
Basic/diluted	8	<u>0.0503</u>	<u>0.0419</u>

Consolidated Balance Sheet

As at 31 December 2022

(Expressed in RMB)

		As at 31 December	
	Note	2022	2021
		RMB million	RMB million
Assets			
Non-current assets			
Property, plant and equipment		209,377	221,419
Right-of-use assets	9	31,578	32,877
Construction in progress		12,339	14,709
Deferred income tax assets		1,930	1,892
Other non-current assets		630	4,018
		<u>255,854</u>	<u>274,915</u>
Current assets			
Trade and other receivables	10	42,260	34,194
Prepayments and other current assets		2,329	7,679
Cash and cash equivalents		5,117	6,471
		<u>49,706</u>	<u>48,344</u>
Total assets		<u>305,560</u>	<u>323,259</u>
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital		176,008	176,008
Reserves		17,583	13,346
Total equity attributable to owners of the Company		<u>193,591</u>	<u>189,354</u>
Non-controlling interests		<u>–</u>	<u>–</u>
Total equity		<u>193,591</u>	<u>189,354</u>

Consolidated Balance Sheet (Continued)

As at 31 December 2022

(Expressed in RMB)

		As at 31 December	
	<i>Note</i>	2022	2021
		<i>RMB million</i>	<i>RMB million</i>
Liabilities			
Non-current liabilities			
Borrowings		31,448	41,572
Lease liabilities	9	14,947	15,677
Deferred government grants		376	436
Employee benefit obligations		40	38
		<u>46,811</u>	<u>57,723</u>
Current liabilities			
Borrowings		25,597	37,142
Lease liabilities		7,127	6,913
Accounts payable	12	26,646	25,264
Accrued expenses and other payables		5,510	6,342
Current income tax payable		278	521
		<u>65,158</u>	<u>76,182</u>
Total liabilities		<u>111,969</u>	<u>133,905</u>
Total equity and liabilities		<u>305,560</u>	<u>323,259</u>

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

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 of Notes to the Consolidated Financial Statements of the Group’s 2022 Annual Report.

1.1 Going concern

At 31 December 2022, the Group’s current liabilities exceeded its current assets by RMB15,452 million (2021: RMB27,838 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 unutilised revolving bank credit facilities of RMB198,618 million as at 31 December 2022; and
- Other available sources of financing from domestic banks and other financial institutions.

Based on management’s cashflow forecast, the directors of the Company are of the opinion that the Group has adequate funds to continue its operations and to repay its debts when they fall due, and thus concluded that the Group will be able to meet its obligations for the twelve months after 31 December 2022. Accordingly, the consolidated financial statements have been prepared on the basis that the Group will continue as a going concern.

2. Summary of significant accounting policies

2.1 New and amended standards adopted by the Group

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

3. 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 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 Communication Company Limited and all their subsidiaries are hereinafter referred to as "CMCC Group"; CUC together with China United Network Communications Corporation Limited and all their subsidiaries are hereinafter referred to as "CUC Group"; and CTC together with China Telecom Corporation Limited and all their subsidiaries are hereinafter referred to as "CTC Group".

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

	Year ended 31 December	
	2022	2021
	<i>RMB million</i>	<i>RMB million</i>
CMCC Group	43,289	42,301
CUC Group	19,408	18,466
CTC Group	21,032	20,074
	<u>83,729</u>	<u>80,841</u>

For the year ended 31 December 2022, the revenue generated from CMCC Group, CUC Group and CTC Group accounted for 90.84% (2021: 93.37%) of the total revenue.

4. Operating revenue

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

	Year ended 31 December	
	2022	2021
	<i>RMB million</i>	<i>RMB million</i>
Tower business (<i>Note (ii)</i>)		
– Macro cell business	75,995	74,836
– Small cell business	1,209	1,021
	<u>77,204</u>	<u>75,857</u>
DAS business	5,827	4,340
Smart Tower business	5,704	4,060
Energy business	3,200	2,071
Others	235	257
	<u>92,170</u>	<u>86,585</u>

Note:

- (i) Disaggregation of operating revenue

	Year ended 31 December	
	2022	2021
	<i>RMB million</i>	<i>RMB million</i>
Operating revenue		
Rental income under IFRS 16	65,592	64,543
Revenue from contract with customer under IFRS 15	26,578	22,042
Including: revenue recognised over time	26,182	21,724
revenue recognised at a point in time	396	318
	<u>92,170</u>	<u>86,585</u>

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

	Year ended 31 December	
	2022	2021
	<i>RMB million</i>	<i>RMB million</i>
Revenue from provision of Site Space	65,585	64,477
Revenue from Services*	11,619	11,380
	77,204	75,857

* 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	As at
	31 December	31 December
	2022	2021
	<i>RMB million</i>	<i>RMB million</i>
Contract liabilities – Smart Tower business	1,563	943
Contract liabilities – Energy business	701	445
	2,264	1,388

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	
	2022	2021
	<i>RMB million</i>	<i>RMB million</i>
<i>Revenue recognised that was included in the contract liability balance at the beginning of the period</i>		
Smart Tower business	682	539
Energy business	217	86
	899	625

Substantially all of the contracts are for periods of one year or less or are billed corresponded with value transferred to date. Thus, the Group applied the expedient that the transaction price allocated to these unsatisfied performance obligation is not disclosed.

5. Site operation and support expenses

	Year ended 31 December	
	2022	2021
	<i>RMB million</i>	<i>RMB million</i>
Site usage expenses	1,811	1,438
Costs of site power supply using diesel oil generation	1,566	1,635
IT service charge	1,471	1,234
Others	1,009	854
	<u>5,857</u>	<u>5,161</u>

6. Other operating expenses

	Year ended 31 December	
	2022	2021
	<i>RMB million</i>	<i>RMB million</i>
Technical support charges (<i>Note i</i>)	2,661	1,779
Losses on write-off/disposal of property and equipment	1,345	868
Utilities in business operation (<i>Note ii</i>)	646	369
Credit loss allowance	637	455
Marketing expenses	602	459
Property management expenses and utilities	475	553
Cost of goods sold	347	166
Other taxes and surcharges	278	220
Impairment of assets	103	–
Auditors' remuneration	9	9
Others	833	858
	<u>7,936</u>	<u>5,736</u>

Note:

- (i) Technical support charges mainly are payment made to third-party service providers for building platforms for customers in Smart Tower business and Energy business, in which the Group was a primary obligator.
- (ii) Utilities in business operation incurred are mainly for providing battery exchange services and battery recharge services in Energy business.

7. 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	
	2022	2021
	RMB million	RMB million
Current tax		
Current tax on estimated taxable profits for the year	2,779	2,722
Deferred tax		
Origination/Reversal of temporary differences	(38)	(435)
Income tax expenses	2,741	2,287

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	
	2022	2021
	RMB million	RMB million
Profit before taxation	11,528	9,615
Tax at PRC statutory tax rate of 25%	2,882	2,404
Impact of preferential tax rate (<i>Note</i>)	(178)	(151)
Tax effect of non-deductible expenses	64	34
Deduction for investment in environmental protection equipment	(27)	–
Income tax expenses	2,741	2,287

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 Company obtained the approval were entitled to this preferential income tax rate of 15% until the end of 2030.

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

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

8. 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 held for the restricted share incentive scheme is excluded.

	Year ended 31 December	
	2022 (Note)	2021 (Note)
Profit attributable to owners of the Company (RMB million)	<u>8,787</u>	<u>7,329</u>
Weighted average number of ordinary shares in issue (million)	<u>174,812</u>	<u>174,812</u>
Basic earnings per share (in RMB Yuan)	<u><u>0.0503</u></u>	<u><u>0.0419</u></u>

Note:

On 18 April 2019, the shareholders of the Company approved the adoption of a restricted share incentive scheme, under which the Group was authorised to repurchase shares from secondary market for the restricted share incentive scheme. During the year ended 31 December 2022, no share was repurchased by the Group (2021: Nil).

(b) *Diluted*

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

The Group only has one category of potential ordinary shares, that is the 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 years ended 31 December 2022 and 2021 because the unlocking conditions of achieving certain performance conditions are not met. Therefore, the diluted earnings per share was the same as basic earnings per share.

9. Lease

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

	Sites <i>RMB million</i>	Buildings <i>RMB million</i>	Land use rights <i>RMB million</i>	Total <i>RMB million</i>
Right-of-use assets:				
As at 1 January 2021	<u>70,513</u>	<u>1,018</u>	<u>1,311</u>	<u>72,842</u>
Additions	9,570	420	68	10,058
Termination of lease contracts	<u>(2,127)</u>	<u>(465)</u>	<u>(2)</u>	<u>(2,594)</u>
As at 31 December 2021	<u>77,956</u>	<u>973</u>	<u>1,377</u>	<u>80,306</u>
Accumulated depreciation:				
As at 1 January 2021	<u>(37,587)</u>	<u>(541)</u>	<u>(161)</u>	<u>(38,289)</u>
Charge for the year	(11,138)	(196)	(45)	(11,379)
Write-off upon termination of lease contracts	<u>1,940</u>	<u>299</u>	<u>–</u>	<u>2,239</u>
As at 31 December 2021	<u>(46,785)</u>	<u>(438)</u>	<u>(206)</u>	<u>(47,429)</u>
Closing net book amount:				
As at 31 December 2021	<u><u>31,171</u></u>	<u><u>535</u></u>	<u><u>1,171</u></u>	<u><u>32,877</u></u>
Right-of-use assets:				
As at 1 January 2022	<u>77,956</u>	<u>973</u>	<u>1,377</u>	<u>80,306</u>
Additions	10,481	309	23	10,813
Termination of lease contracts	<u>(3,150)</u>	<u>(286)</u>	<u>(44)</u>	<u>(3,480)</u>
As at 31 December 2022	<u>85,287</u>	<u>996</u>	<u>1,356</u>	<u>87,639</u>
Accumulated depreciation:				
As at 1 January 2022	<u>(46,785)</u>	<u>(438)</u>	<u>(206)</u>	<u>(47,429)</u>
Charge for the year	(11,220)	(239)	(54)	(11,513)
Write-off upon termination of lease contracts	<u>2,771</u>	<u>109</u>	<u>1</u>	<u>2,881</u>
As at 31 December 2022	<u>(55,234)</u>	<u>(568)</u>	<u>(259)</u>	<u>(56,061)</u>
Closing net book amount:				
As at 31 December 2022	<u><u>30,053</u></u>	<u><u>428</u></u>	<u><u>1,097</u></u>	<u><u>31,578</u></u>

	As at 31 December 2022 <i>RMB million</i>	As at 31 December 2021 <i>RMB million</i>
Lease Liabilities		
– Current	7,127	6,913
– Non-current	<u>14,947</u>	<u>15,677</u>
	<u><u>22,074</u></u>	<u><u>22,590</u></u>

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

	Year ended 31 December	
	2022 <i>RMB million</i>	2021 <i>RMB million</i>
Depreciation charge of right-of-use assets	11,513	11,379
Interest expense	1,193	1,244
Expense relating to short-term leases and low-value leases	1,467	1,371

- (c) The total cash payment of principal and interest of lease liabilities for the year ended 31 December 2022 was RMB10,136 million (2021: RMB9,902 million).
- (d) The Group's leasing activities:

The Group mainly leases buildings and site properties for its telecommunication towers (as lessee). Lease contracts of buildings and site properties are typically made for periods of 3 to 10 years, and generally do not 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 lease contracts held by the Group are with fixed lease payment.

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

10. Trade and other receivables

	As at 31 December 2022 <i>RMB million</i>	As at 31 December 2021 <i>RMB million</i>
Trade receivables (<i>Note (a)</i>)	38,350	30,211
Allowance for expected credit loss	(1,857)	(1,223)
Trade receivables – net	36,493	28,988
Deposits (<i>Note (b)(i)</i>)	1,200	1,378
Payments on behalf of customers (<i>Note (b)(ii)</i>)	4,500	3,827
Others	69	2
Allowance for expected credit loss	(2)	(1)
Other receivables – net	5,767	5,206
Trade and other receivables	42,260	34,194

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

For the year ended 31 December 2022, the Group wrote off trade receivables in amount of approximately RMB2 million (for the year ended 31 December 2021: RMB5 million).

(a) Trade receivables

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

	As at 31 December 2022 <i>RMB million</i>	As at 31 December 2021 <i>RMB million</i>
Up to 3 months	19,752	14,218
3 to 6 months	8,686	7,127
6 months to 1 year	6,808	6,368
1 year to 3 years	2,524	2,069
Over 3 years	580	429
	38,350	30,211

Trade receivables are analysed by customers:

	As at 31 December 2022 <i>RMB million</i>	As at 31 December 2021 <i>RMB million</i>
CMCC Group	17,791	15,090
CUC Group	9,539	6,823
CTC Group	5,516	4,952
Others	5,504	3,346
	<u>38,350</u>	<u>30,211</u>

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 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 2022, acceptance notes issued by banks and commercial acceptance bills included in trade receivables is RMB1,528 million and RMB7,792 million respectively (2021: RMB438 million and RMB6,553 million respectively).

(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 acts as an agent. Such customers usually make payment to the Group within 1-3 months.

11. Dividends

- (i) Dividends declared

	Year ended 31 December	
	2022	2021
	<i>RMB million</i>	<i>RMB million</i>
Ordinary shares:		
Final dividend declared for the year ended 31 December 2021 of RMB0.02624 (2020: RMB0.02235) per ordinary share	4,550	3,934

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

On 2 March 2023, the Board of Directors of the Company proposed a dividend of RMB0.03232 per ordinary share to the shareholders for the year ended 31 December 2022, approximately RMB5,650 million in total. As the final dividend is declared after the balance sheet date, such dividend is not recognised as liability as at 31 December 2022.

	Year ended 31 December	
	2022	2021
	<i>RMB million</i>	<i>RMB million</i>
Dividends not recognised at the end of reporting period:		
Proposed final dividend after the balance sheet date: RMB0.03232 (2021: RMB0.02624) per ordinary share	5,650	4,618

The treasury shares held under the restricted share incentive scheme are not entitled to dividend.

12. 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 2022 <i>RMB million</i>	As at 31 December 2021 <i>RMB million</i>
Less than 6 months	20,392	18,204
6 months to 1 year	2,296	2,092
More than 1 year	3,958	4,968
	26,646	25,264

FINANCIAL OVERVIEW

(Expressed in RMB unless otherwise indicated)

1. Summary

In 2022, the Company adhered to the philosophy of shared development and continuously deepened the “One Core and Two Wings” strategy to accelerate the application of innovative products, enhance our competency on assets utilization and promote high-quality development of the Company. We have maintained stable growth in full-year performance.

In 2022, the operating revenue of the Company amounted to RMB92,170 million, up by 6.5% over last year; the operating profit amounted to RMB13,312 million, up by 2.1% over last year; profit attributable to owners of the Company amounted to RMB8,787 million, up by 19.9% over last year; the EBITDA was RMB62,844 million, down by 0.3% over last year; the capital expenditures amounted to RMB26,207 million; and the free cash flow amounted to RMB38,927 million.

In 2022, the Company adjusted the useful life of the cascade batteries from 8 years to 5 years based on the evaluation of the actual use status of the cascade batteries, and the accounting estimate became more stable and the changes thereof resulted in an increase of RMB638 million in depreciation for the year. After excluding the impact of the change in the accounting estimate for the useful life of cascade batteries, the operating profit increased by 7.0% on a comparable basis over last year. In 2022, the Company realised value-added tax credits of RMB949 million, representing an increase of RMB855 million over last year. After excluding the impacts of the change in the accounting estimate for the useful life of cascade batteries and the value-added tax credits, profit attributable to owners of the Company increased by 17.6% on a comparable basis over last year.

2. Operating Revenue

In 2022, the Company fully met the demands of 5G networks construction and our TSP business maintained steady growth. We grasped the development opportunities of “Digital China” and “dual carbon” strategies, leveraged our resource endowment to expand and deepen sharing of social resources, and increased product innovation and platform optimization, with rapid growth achieved in the Two Wings business. Our operating revenue reached RMB92,170 million in 2022, up by 6.5% over last year. Our revenue structure continued to improve, the proportion to operating revenue of revenue from non-tower businesses, including the DAS business and the Two Wings business, increased from 12.4% last year to 16.2%, and the contribution to incremental revenue increased from 54.7% last year to 75.9%.

The table below summarises the changes in composition of the Company's operating revenue for the years of 2022 and 2021:

<i>(RMB million)</i>	2022		2021	
	Total amount	Proportion in operating revenue	Total amount	Proportion in operating revenue
Operating revenue	92,170	100.0%	86,585	100.0%
Of which: Tower business	77,204	83.8%	75,857	87.6%
DAS business	5,827	6.3%	4,340	5.0%
Smart Tower business	5,704	6.2%	4,060	4.7%
Energy business	3,200	3.5%	2,071	2.4%
Other business	235	0.2%	257	0.3%

Revenue from Tower business

In 2022, the Company fully leveraged our advantages in effective resource coordination and sharing, as well as expertise in operations to satisfy customers' demands for 5G construction in a cost-effective and highly efficient manner, further improved the efficiency of order delivery and leasing services, and strengthened our leading position in the Tower business. Revenue from our Tower business for the year amounted to RMB77,204 million, up by 1.8% over last year.

Revenue from DAS business

In 2022, seizing the opportunity of the extending 5G network coverage from outdoor areas to indoor areas, the Company, with a focus on key scenarios and cities, actively played the role of providing unified and coordinated site-entry solutions, continuously strengthened the innovation of sharing solutions, and improved the competitiveness in the DAS business market. Revenue from DAS business for the year amounted to RMB5,827 million, up by 34.3% over last year. The DAS business contributed 26.6% to the incremental revenue.

Revenue from Smart Tower business

In 2022, the Company sped up the upgrading of "telecommunication tower" to "digital tower", actively established a tower monitoring platform and launched differentiated products to meet customer needs while enhancing our digital services, with a focus on key sectors and strengthening product iteration and development. Smart Tower business recorded a revenue of RMB5,704 million in 2022, up by 40.5% over last year. Revenue from Smart Tower business accounted for 6.2% of the operating revenue, representing an increase of 1.5 percentage points compared to that of last year.

Revenue from Energy business

In 2022, the Company delved into the development of its core energy business to establish a brand competitive advantage, by promoting the innovation and upgrading of battery exchange products and improving the comprehensive solutions for power backup. Energy business recorded a revenue of RMB3,200 million in 2022, up by 54.5% over last year. Revenue from Energy business accounted for 3.5% of the operating revenue, representing an increase of 1.1 percentage points compared to that of last year.

Revenue from other business

In 2022, the Company provided other services such as agent construction for transmission facilities, achieving a revenue of RMB235 million.

3. Operating Expenses

In 2022, the Company constantly improved the business accounting on individual site and individual project, accurately allocated costs and further carried out special projects, including asset maintenance and security risks investigation in combination with the assets usage, so as to effectively ensure the quality of assets and improve the long-term service capability of assets. In 2022, the operating expenses were RMB78,858 million, up by 7.2% over last year, and an increase of 6.3% on a comparable basis over last year. The operating expenses accounted for 84.9% of the operating revenue on a comparable basis, at a similar level as last year.

The table below summarises the changes in the composition of the Company's operating expenses for the years of 2022 and 2021 on a comparable basis:

<i>(RMB million)</i>	2022			2021	
	Total amount	Total amount on a comparable basis	Proportion in operating revenues on a comparable basis	Total amount	Proportion in operating revenue
Operating Expenses	78,858	78,220	84.9%	73,550	84.9%
Of which: Depreciation and amortisation	49,532	48,894	53.0%	49,982	57.7%
Repairs and maintenance expenses	7,593	7,593	8.2%	5,796	6.7%
Employee benefits and expenses	7,940	7,940	8.6%	6,875	7.9%
Site operation and support expenses	5,857	5,857	6.4%	5,161	6.0%
Other operating expenses	7,936	7,936	8.7%	5,736	6.6%

Depreciation and amortisation

Benefiting from the structural change in TSPs' 5G construction demands, the Company's increased effort on technological innovation, the optimization of the construction schemes, and reasonable guarantee of the continued operation of aged assets, the depreciation and amortisation amounted to RMB49,532 million in 2022, down by 2.2% over last year on a comparable basis, and the proportion of depreciation and amortisation decreased to 53.0% of the operating revenue from 57.7% last year on a comparable basis.

Repairs and maintenance expenses

In 2022, the repairs and maintenance expenses were RMB7,593 million, up by 31.0% over last year, primarily because the Company allocated maintenance costs in a reasonable manner, ensured the operational safety of equipment and facilities and the continuous improvement of customer service quality through carrying out special campaigns, such as safety hazard inspection and maintenance of assets, with the increase in useful life of assets.

Employee benefits and expenses

In 2022, the Company deeply implemented the strategy of “strengthening enterprise through talents (人才強企)” by further attracting high-quality talents in areas such as communications technology, digital economy and new energy. At the same time, the Company strengthened the performance-oriented remuneration and such remuneration allocation tended to be in favour of outstanding talents and key frontline positions. Employee benefits and expenses for the year amounted to RMB7,940 million, up by 15.5% over last year, representing a year-on-year increase of 10.9% after considering the impact of the reversal of amortised cost of restricted shares accrued in previous periods in 2021 of RMB285 million.

Site operation and support expenses

In 2022, the site operation and support expenses were RMB5,857 million, representing a year-on-year increase of 13.5%, up by RMB696 million over last year, of which short-term site lease charges, electricity costs and other site operating expenses increased by RMB373 million over last year, IT service fees and planning and design fees in respect of site operation increased by RMB392 million over last year.

Other operating expenses

In 2022, the other operating expenses were RMB7,936 million, representing an increase of 38.4% over last year, up by RMB2,200 million over last year. Driven by the rapid growth of the Two Wings business, the business development costs including technical supporting service expenses, marketing expenses and expenses on utilities in business operation for the Two Wings business increased by RMB1,483 million over last year.

4. Finance Costs

Adhering to a prudent financing strategy, the Company actively expanded low-cost financing channels, optimized the structure of interest-bearing liabilities and reduced comprehensive finance costs while enhancing centralized fund management. As of the end of 2022, the Company had interest-bearing liabilities of RMB79,119 million, down by RMB22,185 million over the end of last year. The Company’s net finance costs amounted to RMB2,879 million in 2022, down by 22.7% over last year.

5. Profitability

Operating profit and EBITDA

In 2022, the Company’s operating profit amounted to RMB13,312 million, representing an increase of 7.0% on a comparable basis over last year. Due to the combined impact of the changes in the cost structure, such as the increase in special remediation and maintenance expenses, EBITDA in 2022 amounted to RMB62,844 million, down by 0.3% over last year, and accounted for 68.2% of the operating revenue, maintaining a relatively high level.

Net profit

In 2022, profit attributable to owners of the Company amounted to RMB8,787 million, representing an increase of 17.6% on a comparable basis over last year. The Company’s basic earnings per share for 2022 was RMB0.0503.

6. Capital Expenditures and Cash Flow

Capital expenditures

In 2022, adhering to the strategy of resource coordination and sharing, the Company allocated investments as per the requirement of aligning with development and capability building, strengthened platform building efforts and investments in research and development and innovation, and improved the robustness and sharing potential of assets in light of the asset operation quality and safety production demands. The capital expenditures for the year amounted to RMB26,207 million, up by 4.0% over last year. Affected by related factors, such as the structural change in TSPs' demands for 5G construction, the continuous optimization of the Company's construction plans and the effective saving of investment by applying innovative products, the capital expenditures for new site construction and augmentation decreased by 8.3% over last year. The capital expenditures for site replacement and improvement were RMB6,049 million, up by 64.4% over last year, which was mainly because, as the useful life of the assets increased, the Company reasonably allocated the investments in the renovation and improvement of assets, addressing safety risks, the supply of battery backup capacity for key scenarios and the upgrading and improvement of intelligent operation and maintenance, with an aim to boost the health of assets and long-term service capacity. In order to meet the demands to expand the Two Wings business and accelerate the investments in infrastructure and platform building, the capital expenditures for Smart Tower and Energy business facilities were RMB3,859 million, up by 27.2% over last year.

The table below summarises the major items of the Company's capital expenditures in 2022 and 2021:

<i>(RMB million)</i>	2022		2021	
	Total amount	Proportion	Total amount	Proportion
Capital expenditures	26,207	100.0%	25,192	100.0%
Of which: New site construction and augmentation	14,661	55.9%	15,996	63.5%
Site replacement and improvement	6,049	23.1%	3,679	14.6%
Facilities for Smart Tower and Energy business	3,859	14.7%	3,034	12.0%
IT support and purchase of comprehensive building for production	1,638	6.3%	2,483	9.9%

Cash flow generated from operating activities and free cash flow

In 2022, attributable to the continuous growth in revenue, the steady improvement of profitability and the support of the national tax rebate policies, the Company's cash flow position will continue to be robust, with net cash generated from operating activities of RMB65,134 million and free cash flow of RMB38,927 million.

7. Balance Sheet Status

As of the end of 2022, the Company's total assets were RMB305,560 million while the total liabilities were RMB111,969 million, of which the net debts amounted to RMB74,002 million. The liabilities to assets ratio was 36.6%, and the gearing ratio was 27.7%.

CONTINUING CONNECTED TRANSACTIONS

Materials Procurement Framework Agreement and Transmission Resource and Cloud Resource Lease Framework Agreement with CMCC

Based on the internal review on its continuing connected transactions in 2022, the Company expects that the transaction amount in respect of the Group's procurement of materials such as software and accessories and parts from China Mobile Communications Group Co., Ltd. (中國移動通信集團有限公司) ("CMCC") and its associates for each of the years of 2022 and 2023 is expected to exceed the *de minimis* threshold under Rule 14A.76 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") but be less than 5%. Therefore, on 7 December 2022, the Board approved the Company to enter into the materials procurement framework agreement (the "**Materials Procurement Framework Agreement**") with CMCC, taking effect from 24 December 2022, the date of signing, and expiring on 31 December 2023. Pursuant to the Materials Procurement Framework Agreement, the Group purchases products from CMCC and its associates listed on its "E-procurement Platform" from time to time, including but not limited to (i) equipment hardware, installation materials, supporting cables, spare parts and related software licenses, technical documents and other related materials for the purpose of daily business operations of the Group, and (ii) equipment installation and commissioning, equipment-related technical trainings, technical services and related supporting services.

On the same day, the Board also approved the Company to enter into the transmission resource and cloud resource lease framework agreement (the "**Transmission Resource and Cloud Resource Lease Framework Agreement**") with CMCC, taking effect from 24 December 2022, the date of signing, and expiring on 31 December 2023. Pursuant to the Transmission Resource and Cloud Resource Lease Framework Agreement, the Group leases transmission resource and cloud resource from CMCC and its associates, including but not limited to (i) leasing of telecommunications electricity cables, cloud private line and telecommunications equipment; and (ii) leasing of cloud equipment.

2023-2027 Service Framework Agreements with the Telecom Shareholders

The original commercial pricing agreements and the service agreements entered into between the Company and each of China Mobile Communication Company Limited (中國移動通信有限公司), China United Network Communications Corporation Limited (中國聯合網絡通信有限公司) and China Telecom Corporation Limited (中國電信股份有限公司) (together, the "**Telecom Shareholders**") expired on 31 December 2022. Therefore, on 13 December 2022, the Board approved the Company to enter into the 2023-2027 commercial pricing agreements and the 2023-2027 service agreements (together, the "**2023-2027 Service Framework Agreements**") with each of the Telecom Shareholders for a term of five years from 1 January 2023 to 31 December 2027, pursuant to which the Company provides relevant services of tower products, DAS products, transmission products and service products to the Telecom Shareholders and their branches/subsidiaries, subject to, among other things, the approval by the independent shareholders at the shareholders' general meeting.

The 2023-2027 Service Framework Agreements with each of the Telecom Shareholders together with the proposed annual caps for the transactions contemplated thereof were approved by the independent shareholders at the third extraordinary general meeting of 2022 of the Company held on 30 December 2022. On 18 January 2023, the Company completed the signing arrangement of the 2023-2027 Service Framework Agreements with each of the Telecom Shareholders.

For further details of the above mentioned continuing connected transactions, please refer to the Company's announcements dated 7 December 2022, 14 December 2022, 27 December 2022, 30 December 2022 and 18 January 2023 and the circular of the Company dated 15 December 2022.

OTHER INFORMATION

Purchase, Sale or Redemption of the Company's Listed Securities

For the year ended 31 December 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Audit Committee

The audit committee of the Board (the "**Audit Committee**"), together with the management of the Company, have reviewed the accounting principles and practices adopted by the Group, and discussed internal control and financial reporting matters, including the review of the audited consolidated financial statements for the financial year ended 31 December 2022.

Compliance with the Corporate Governance Code

The Company is committed to maintaining a high standard of corporate governance. For the year ended 31 December 2022, the Company had complied with the code provisions set out in the Corporate Governance Code as contained in Appendix 14 to the Listing Rules.

Compliance with the Listing Rules

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

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

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

On 30 September 2021, Mr. Zhang Zhiyong was re-designated from a non-executive director to an executive director of the Company and was appointed as the chairman of the Board. On 18 January 2022, the composition of relevant Board committees has been adjusted as follows: (i) the Nomination Committee comprises Mr. Zhang Zhiyong as chairman and Mr. Gao Tongqing, Mr. Zhang Guohou, Mr. Deng Shiji (resigned on 10 October 2022) and Mr. Hu Zhanghong as members; (ii) the Audit Committee comprises Mr. Zhang Guohou as chairman and Mr. Liu Guiqing, Mr. Deng Shiji (resigned on 10 October 2022) and Mr. Hu Zhanghong as members; and (iii) the Remuneration and Appraisal Committee comprises Mr. Deng Shiji (resigned on 10 October 2022) as chairman and Mr. Mai Yanzhou (resigned on 30 May 2022), Mr. Zhang Guohou and Mr. Hu Zhanghong as members. On 8 August 2022, Ms. Leung Suet Wing has been appointed as the Company Secretary. After these adjustments and as at the date of announcement, the Company has been in compliance with the relevant requirements under Rules 3.21, 3.25, 3.27A and 3.28 of the Listing Rules, respectively.

Compliance with the Model Code

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

The Company has made specific enquiries to all directors and supervisors, and all directors and supervisors have confirmed that they have complied with the Company Code and the Model Code during the year ended 31 December 2022.

Events after the Reporting Period

The original commercial pricing agreements and the service agreements entered into between the Company and each of the Telecom Shareholders expired on 31 December 2022. On 18 January 2023, the Company completed the signing arrangement of the 2023-2027 Service Framework Agreements with each of the Telecom Shareholders for a term of five years from 1 January 2023 to 31 December 2027.

Restricted Share Incentive Scheme

The Company adopted China Tower Corporation Limited First Phase Restricted Share Incentive Scheme (the “**Restricted Share Incentive Scheme**”) at the 2018 annual general meeting of the Company held on 18 April 2019 (the “**2018 AGM**”). For details, please refer to the announcement and circular of the Company dated 4 March 2019, the announcement of the Company on the poll results of the 2018 AGM and the announcement on the initial grant dated 18 April 2019, and the announcement of the Company on the second tranche of grant dated 19 December 2019.

The restricted shares granted under the first tranche of grant and the second tranche of grant under 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 could not be unlocked according to the terms and conditions of the Restricted Share Incentive Scheme. The interests of relevant scheme participants in such restricted shares have been bought out by the trustee at the grant price in accordance with the terms of the Restricted Share Incentive Scheme and the laws and regulations, which represented 40% of interests in the restricted shares granted under the first tranche of grant and the second tranche of grant mentioned above. The financial impact of failure to unlock such restricted shares has been disclosed in the Company’s 2020 annual report, 2021 interim report and 2021 annual report.

The restricted shares granted under the first tranche of grant and the second tranche of grant under 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 shares could not be unlocked according to the terms and conditions of the Restricted Share Incentive Scheme. The interests of relevant scheme participants in such restricted shares have been bought out by the trustee at the grant price in accordance with the terms of the Restricted Share Incentive Scheme and the laws and regulations, which represented 30% of interests in the restricted shares granted under the first tranche of grant and the second tranche of grant mentioned above. The financial impact of failure to unlock such restricted shares has been disclosed in the Company's 2021 annual report and 2022 interim report.

The restricted shares granted under the first tranche of grant and the second tranche of grant under the initial grant entered the third unlocking period in 2023. As the operating revenue of the Group for the year of 2022 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 could not be unlocked according to the terms and conditions of the Restricted Share Incentive Scheme. The interests 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, which represented 30% of interests in the restricted shares granted under the first tranche of grant and the second tranche of grant mentioned above. The financial impact of failure to unlock such restricted shares will be further disclosed in the Company's 2022 annual report.

For further details of the Restricted Share Incentive Scheme, please refer to the Company's 2022 annual report to be published in due course.

Contingent Liabilities

As at 31 December 2022, the Company had no contingent liabilities.

Material Legal Proceedings

For the year ended 31 December 2022, the Company was not involved in any material litigation or arbitration, and as far as the Company is aware, no material litigation or claims were pending or threatened or made against the Company.

Annual General Meeting

The Company will hold the annual general meeting on 11 May 2023 (the "**2022 AGM**"). Notice of the 2022 AGM will be published on the website of the Company (www.china-tower.com) and the website of The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") (www.hkexnews.hk), and will be dispatched to the shareholders of the Company (the "**Shareholder(s)**") in due course.

Final Dividend

The Board proposes a final dividend of RMB0.03232 (pre-tax) per share for the year ended 31 December 2022. The dividend proposal will be proposed to the 2022 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 2023 upon approval at the 2022 AGM.

Dividends will be paid in Renminbi for holders of domestic shares and the Southbound Shareholders, and dividends for H share Shareholders other than the Southbound Shareholders will be paid in Hong Kong dollars. The relevant exchange rate will be the average of the mid-point rates of Renminbi to Hong Kong dollars as announced by the People's Bank of China for the week prior to the date of approval of declaration of dividends by the 2022 AGM. The record date for entitlement to the Shareholders' rights and the relevant arrangements of dividend distribution for Southbound Shareholders are the same as those for the Company's H share Shareholders.

Under the requirements of the Law of the People's Republic of China on Enterprise Income Tax 《中華人民共和國企業所得稅法》, the Regulations for the Implementation of the Law of the People's Republic of China on Enterprise Income Tax 《中華人民共和國企業所得稅法實施條例》 implemented in 2008, the Company has the obligation to withhold enterprise income tax at a rate of 10% on dividends when it pays the proposed final dividend for 2022 to its H share Shareholders who are overseas non-resident enterprises (including HKSCC Nominees Limited, other institutional nominees and trustees, or other organizations or groups) listed on the H share register of members on 23 May 2023.

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

The Company will determine the country of domicile of the individual H share Shareholders based on the registered address as recorded in the H share register of members of the Company on 23 May 2023. If the country of domicile of an individual H share Shareholder is not the same as the registered address or if the individual H share Shareholder would like to apply for a refund of the additional amount of tax finally withheld and paid, the individual H share Shareholder shall notify and provide relevant supporting documents to the Company on or before 17 May 2023. Upon examination of the supporting documents by the relevant tax authorities, the Company will follow the guidance given by the tax authorities to implement relevant tax withholding and payment provisions and arrangements. Individual H share Shareholders may either personally or appoint a representative to attend to the procedures in accordance with the requirements under the tax treaties notice if they do not provide the relevant supporting documents to the Company within the time period stated above.

For Southbound Investors (including enterprises and individuals), the Shanghai branch of China Securities Depository and Clearing Corporation Limited and the Shenzhen branch of China Securities Depository and Clearing Corporation Limited, as the nominees of the Shareholders of the Southbound Trading, will receive all dividends distributed by the Company and will distribute the dividends to the relevant Shareholders under the Southbound Trading through its depository 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 Hong Kong Stock Exchange through the Southbound Trading, the tax levied on dividends derived from such investment shall be ascertained by reference to the rules applicable to the treatment of individual income tax. The Company is not required to withhold income tax on dividends derived by the Mainland enterprise investors under the Southbound Trading, and such enterprises shall report the income and make tax payment by themselves. The record date for entitlement to the Shareholders’ rights and the relevant arrangements of dividend distribution for the Southbound Investors are the same as those for the Company’s H share Shareholders.

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

Closure of Register of Members

For the purpose of ascertaining the H share Shareholders' rights to attend and vote at the 2022 AGM (and any adjournment thereof), and H share Shareholders' entitlement to the 2022 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 share Shareholders' rights to attend and vote at the 2022 AGM (and any adjournment thereof)

Latest time to lodge transfer documents for registration	4:30 p.m. on 5 May 2023
Closure of register of members (both inclusive)	8 May 2023 to 11 May 2023
Record date	11 May 2023

- (2) For ascertaining the H share Shareholders' entitlement to the 2022 final dividend

Latest time to lodge transfer documents for registration	4:30 p.m. on 17 May 2023
Closure of register of members (both inclusive)	18 May 2023 to 23 May 2023
Record date	23 May 2023

During the above closure periods, no transfer of H shares will be registered. To be eligible to attend and vote at the 2022 AGM, and to qualify for the 2022 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 last times.

Publication of Annual Results Announcement and Annual Report

This announcement is published on the website of the Company (www.china-tower.com) and the website of the Hong Kong Stock Exchange (www.hkexnews.hk).

The 2022 annual report will be published on the website of the Company (www.china-tower.com) and the website of the Hong Kong Stock Exchange (www.hkexnews.hk), and will be dispatched to the Shareholders in due course.

Forward Looking Statements

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

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

Beijing, China, 2 March 2023

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

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