

CHINA TOWER CORPORATION LIMITED
中国铁塔股份有限公司



2019 Annual Results

18 March 2020

Management

Mr Tong Jilu

Executive Director and Chairman

Mr Gu Xiaomin

Executive Director and General Manager

Mr Gao Chunlei

Chief Accountant

Mr Liu Guofeng

Deputy General Manager

Mr Zhang Quan

Deputy General Manager

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| Overall Results

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| Operational Performance

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| Financial Performance

01

Overall Results

Mr Tong Jilu

Executive Director & Chairman

Performance Highlights of 2019

1 Overall performance remained stable;
Efficiency improved continuously

2 Sound implementation of corporate strategy;
Furthered resource sharing;

3 Optimized business structure;
Distinguished competitive advantages

4 Deepened reform and innovation;
Increased business development momentum

Overall Performance Maintained Steady Growth with Sound Business Momentum



RMB76,428 million

Revenue

▲ **6.4 %**

RMB56,696 million

EBITDA

▲ **6.0 %¹**

RMB11,281 million

Operating Profit

▲ **12.6%¹**

RMB5,222 million

Net Profit²

▲ **97.1 %**

RMB0.0297 yuan

EPS

▲ **65.9 %**

1.62 tenants / sites

Tower Tenancy Ratio³

▲ **4.5 %**

Note 1 : Represents increase of ratio on the comparable basis. The comparable basis represents the comparison of certain financial information in the first half of 2019 and corresponding financial information in the same period of 2018 excluding the impact of the adoption of IFRS 16, the same applies herein after.

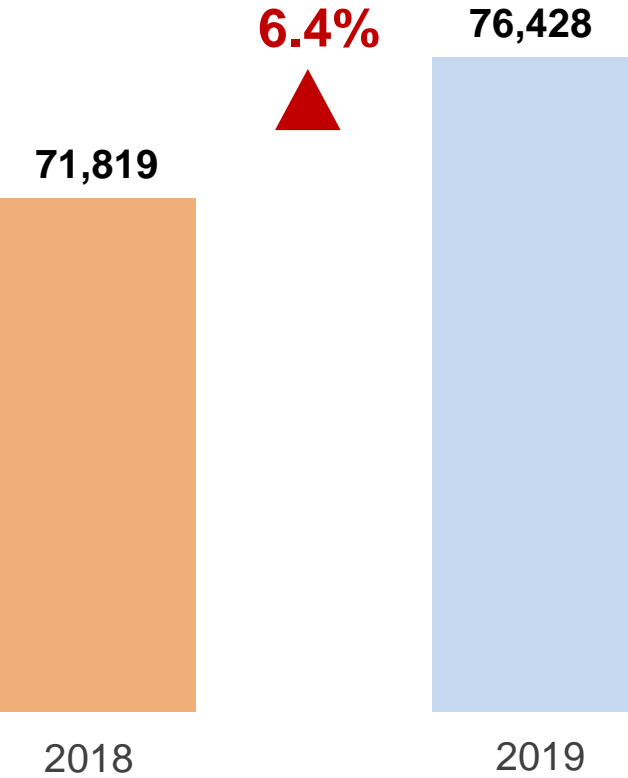
Note 2: Net profit refers to profit attributable to owners of the Company, the same applies herein after.

Note 3: Tower tenancy ratio = tower tenants / tower sites, does not include distributed antenna system (DAS) business; DAS business will be illustrated by area of in building coverage and distance of tunnels, the same applies herein after.

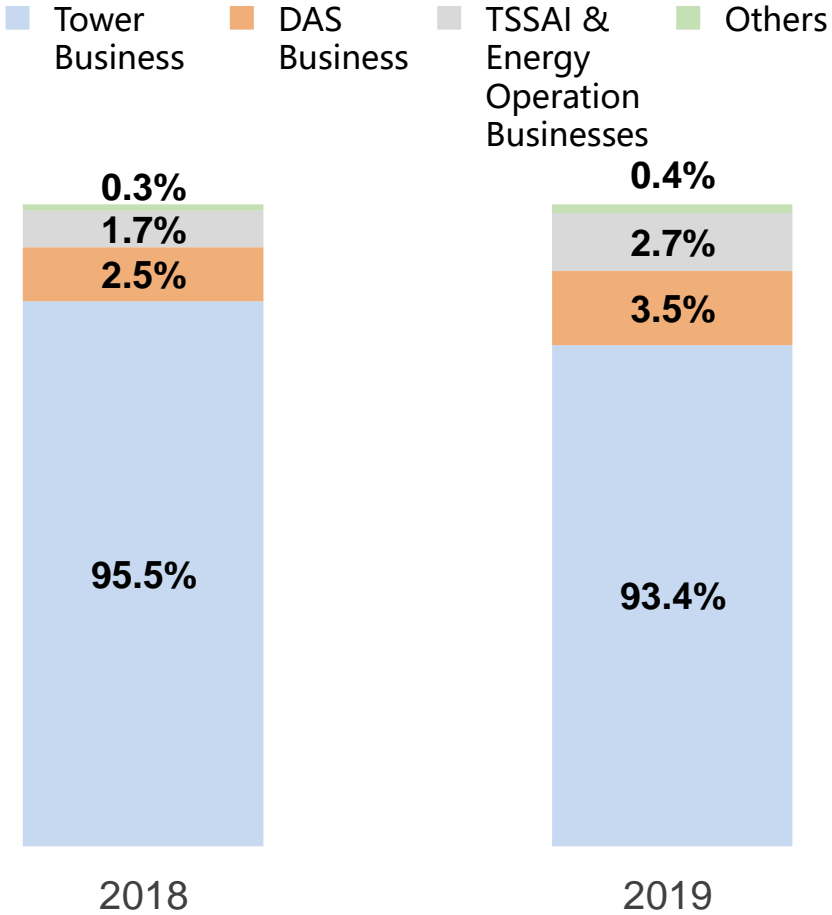
Revenue Grew Steadily with More Optimized Business Structure

Operating Revenue

(RMB million)



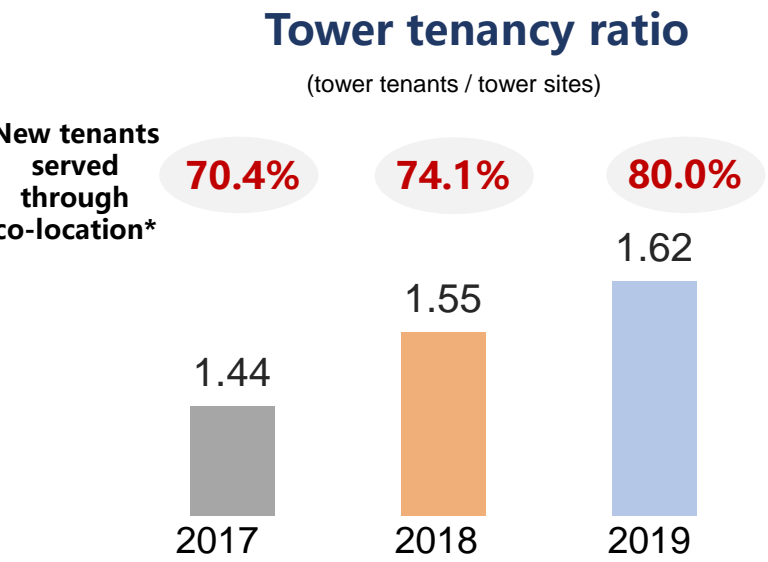
Operating Revenue Structure



Furthered Resource Sharing with Enhanced Competencies

Promoted sharing in telecommunications industry

- Prioritized co-location and co-construction over new and single construction to save Capex
- Continued improvement in site co-location
- Supported rapid and low-cost 5G construction



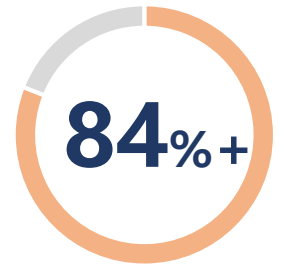
Note* On cumulative basis, from the establishment of China Tower to the end of each reporting period

Extended social resource sharing

- Strengthened access to and utilization of social resources to reduce construction costs
- Promoted full utilization of existing resources to facilitate TSSAI business development
- Extended social resources sharing and deployed energy operation business

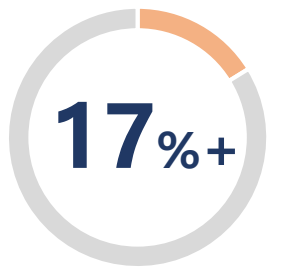
% of new site by utilizing social resources

small cells



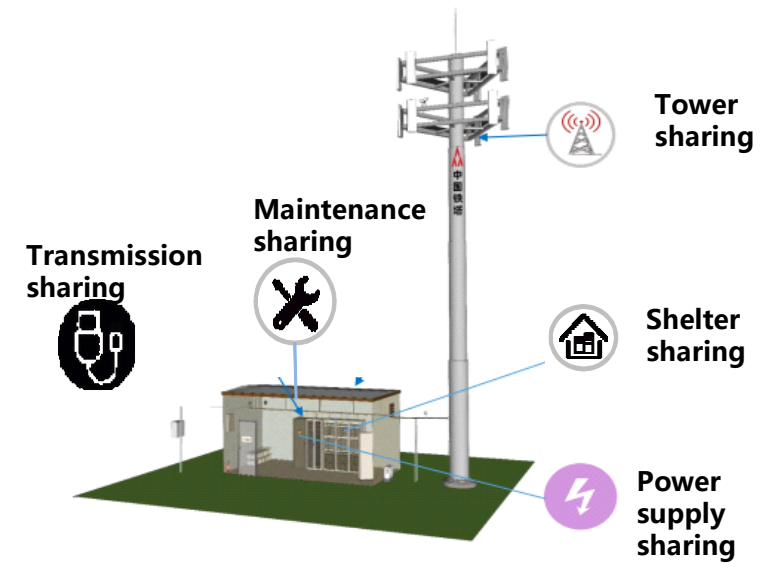
% of new site by utilizing social resources

macro cells



Developed integrated sharing

- Further extended the scope of sharing
- Provided solutions from traditional single site co-location to integrated sharing across towers, shelters, power supply, transmission and maintenance etc.



Expanded Competitive Advantages and Enhanced Overall Strengths

Large-Scale resources

- **1.994 million**

Advantage provided by the number of tower sites representing over 97%* market share

- **>1.3 million**

Ample shelters and cabinets resources with ancillary equipment

- **~ 12 million**

Reserved tens of millions of social pole resources

Favorable development environment

- **Obtained government and policy support**

- Recognized as an important coordinator in the telecommunications infrastructure service industry
- Coordinated planning and construction of 5G network with support from local governments

- **Developed extensive cooperation**

- Enhanced cross-industry cooperation with railways, power grids, real estates, municipal enterprises, transportation companies, etc.

Efficient operations management

- **Intelligentization**

- A visualized, manageable and controllable supervision system
- E-platform for full-process production management

- **Specialization**

- Precision maintenance system covering every business segment
- Integrated information services solution

- **Flat management structure**

- Flat and efficient management system
- Global leader in terms of the number of sites managed per employee

Accelerated Development Capabilities via Reform and Innovation

- Professional operation of “Two Wings” business
- Optimization of the organizational system and workflow
- Implementation of Share Incentive Scheme

**More dynamic
system and mechanism**

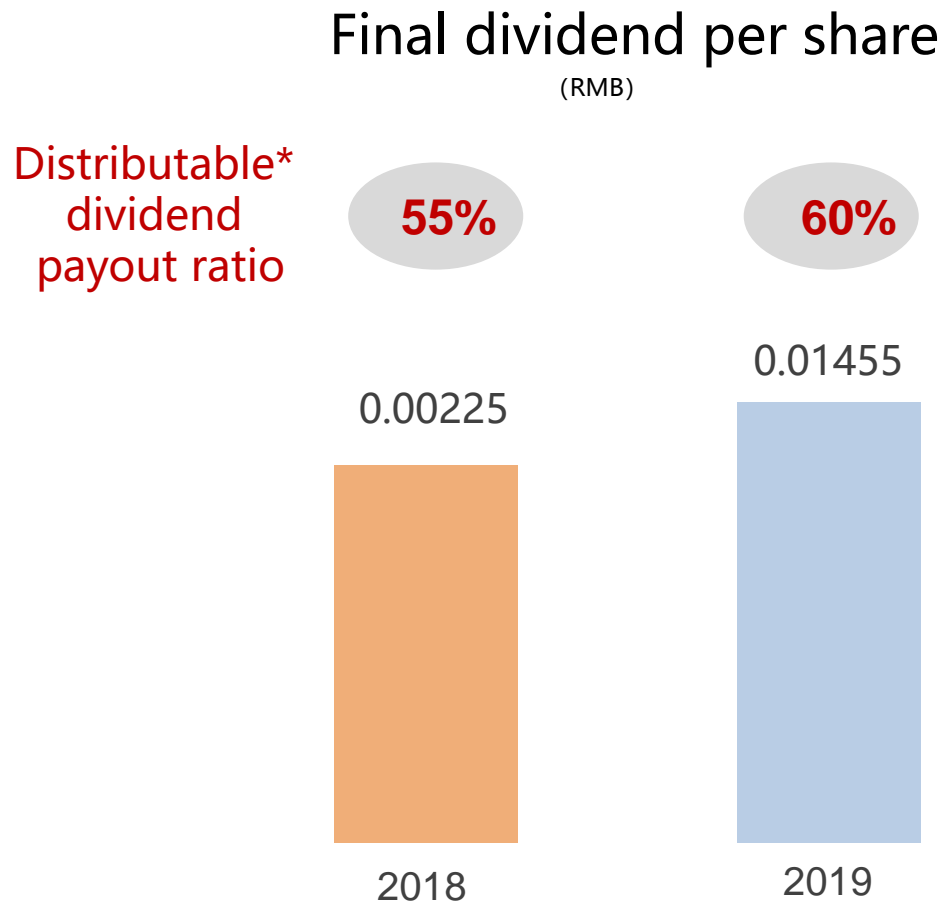
- Optimized budget and performance management system
- Strengthened management of operating units by benchmarking
- Improved precision management within the entire investment process

**More efficient
resources deployment**

- Sped up the process of shifting business development from investment driven to innovation driven
- Promoted 5G technology and product innovation
- Enhanced collaboration to refine the R&D system

**Better
innovation system**

Increased Dividend Payout Ratio and Shareholder Returns

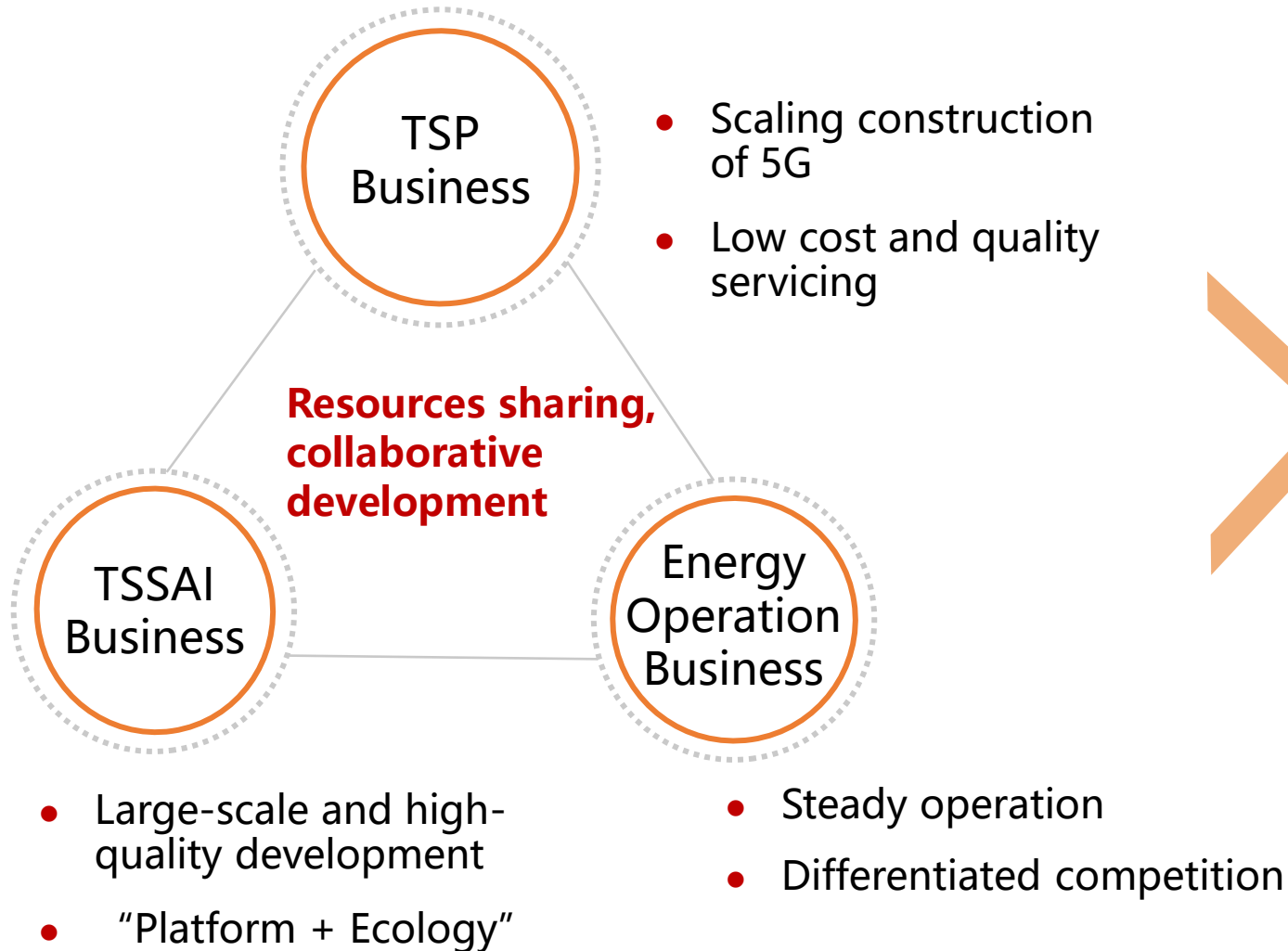


- The Company places great importance on the returns to shareholders and has implemented a proactive and sustainable dividend policy.
- Taking full consideration of the Company's profitability, cash flow and future capital expenditure requirements, the Board proposes to increase the distributable dividend payout ratio to 60% and recommends to pay a final dividend of RMB 0.01455 (pre-tax) per share in 2019.
- In the future, the Company will strive to enhance the Company's profitability and improve shareholder returns.

Note*: Annual distributable profit is determined by the annual profit (after tax) under PRC GAAP or IFRSs (whichever is lower) with the deduction of following items: 1. recovery of accumulated losses, if any; 2. allocation to the statutory reserve, an amount of no less than 10% of our profit after tax determined under PRC GAAP; and 3. allocation, if any, to a discretionary reserve, an amount approved by shareholders in the shareholders' meeting of the Company.

Outlook for 2020

Further implement collaborative development of “One Core and Two Wings” and promote high-quality growth



- ✓ Maintain steady revenue growth
- ✓ Profit growth higher than revenue growth
- ✓ Improve profitability
- ✓ Enterprise value grows steadily

02

Operational Performance

Mr Gu Xiaomin

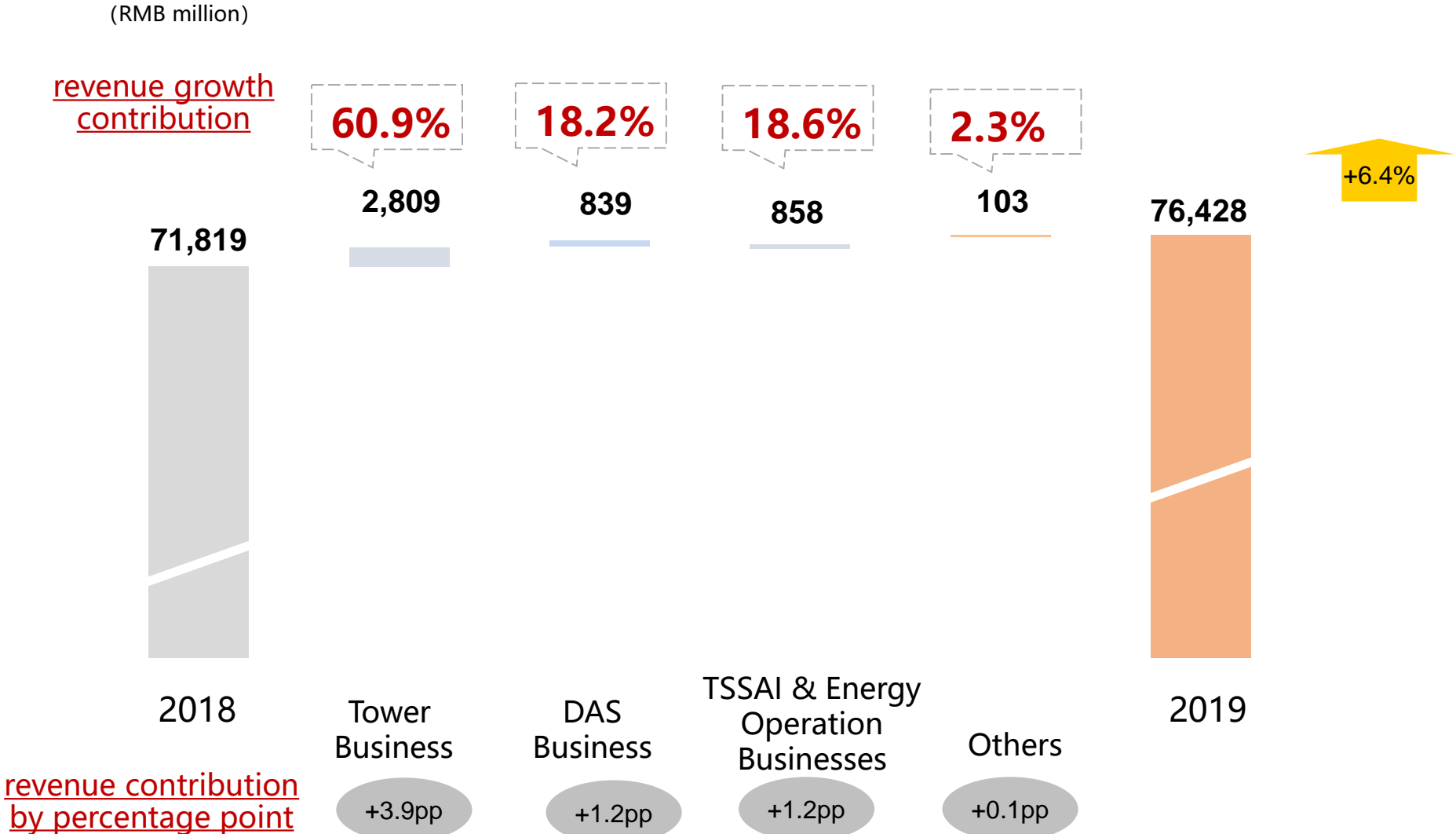
Executive Director & General Manager

Key Operational Indicators

| Indicators | 2018 | 2019 | Change |
|--|---------------|---------------|-------------|
| Operating revenue (RMB million) | 71,819 | 76,428 | 6.4% |
| Tower business | 68,597 | 71,406 | 4.1% |
| DAS business | 1,819 | 2,658 | 46.1% |
| TSSAI & Energy Operation businesses | 1,222 | 2,080 | 70.2% |
| Number of tower tenants (thousand) | 2,978 | 3,239 | 8.8% |
| TSP tenants | 2,837 | 3,063 | 8.0% |
| TSSAI tenants | 141 | 176 | 24.8% |
| Number of tower sites (thousand) | 1,925 | 1,994 | 3.6% |
| Tower tenancy ratio (tower tenants / tower sites) | 1.55 | 1.62 | 4.5% |
| Average revenue per tower site[*] | 36,941 | 37,407 | 1.3% |

Note*: Average revenue per site=(operating revenue of tower business+ operating revenue of TSSAI business) / ((number of sites at the beginning of the period + number of sites at the period end)/2)

Breakdown of Revenue Growth



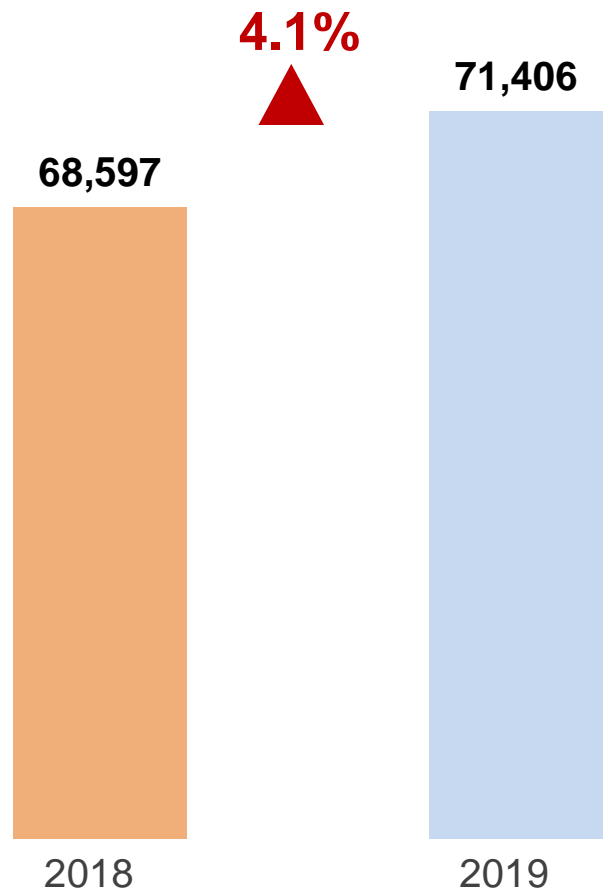
TSP Business

Tower business maintained stable growth through further resource sharing



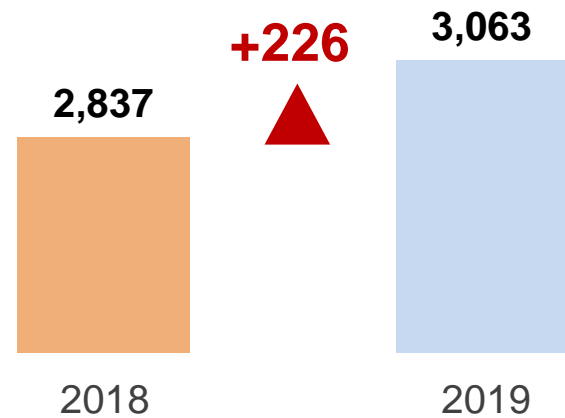
Operating revenue of tower business

(RMB million)



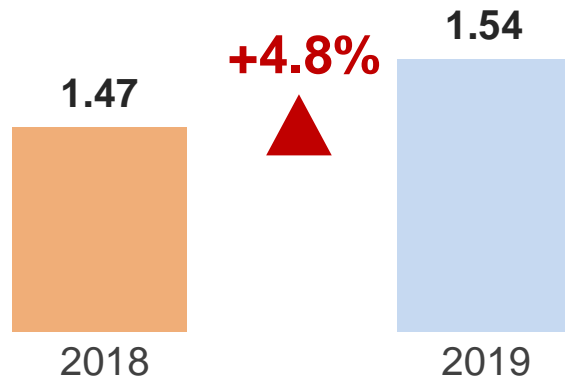
TSP tenants

(thousand)



TSP tenancy ratio

(tower tenants / tower sites)

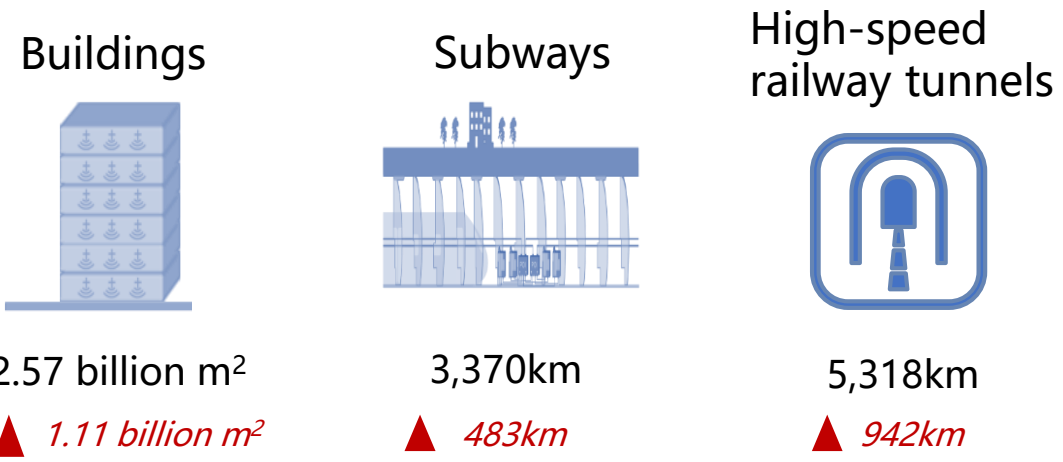


TSP Business

Promoted rapid growth of DAS business by enhancing integrated cost advantage

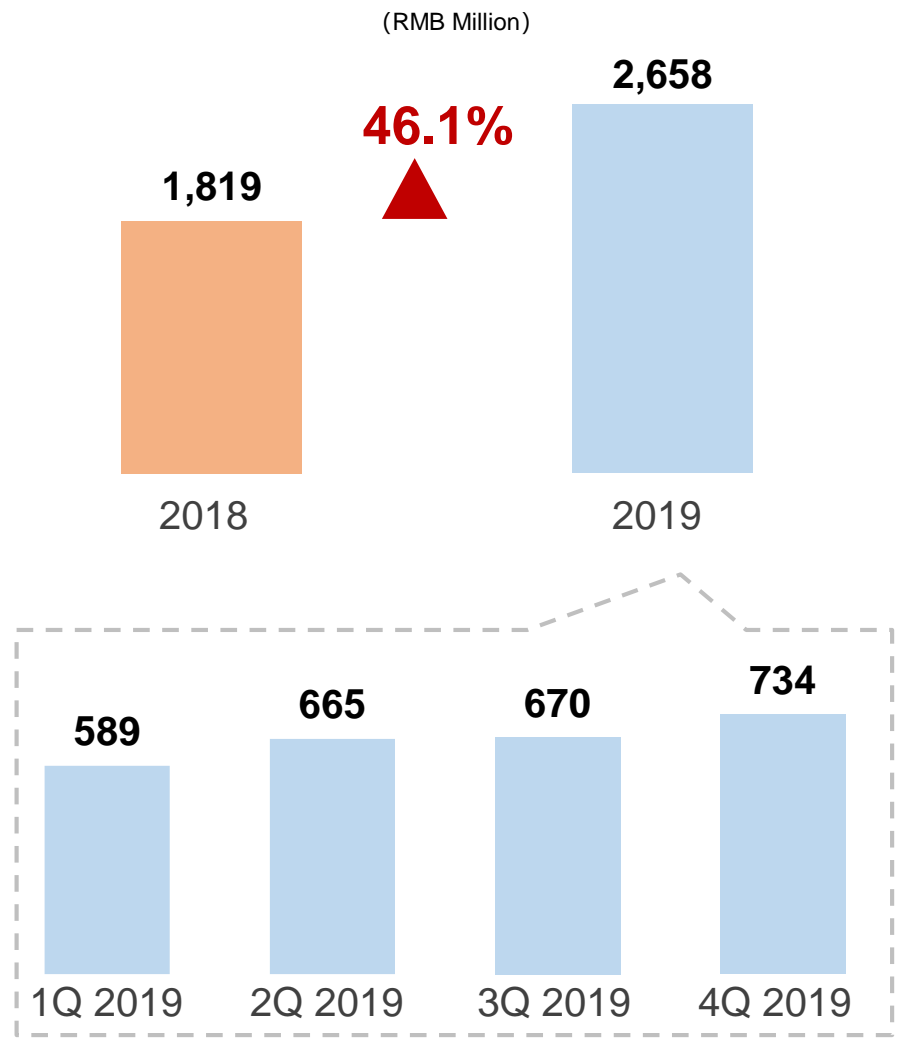
- Leveraged our advantage in coordinating resources to provide customers with multiple solution options, and by combining the active and passive DAS construction models to drive a fast development in the diversified DAS market.

Expanded coverage of DAS business



Note: Data as of 31 December 2019 ▲ increase in 2019

Operating revenue of DAS business




TSP Business

Fully embraced 5G demand and supported 5G network construction

Strengthened 5G coordination and planning

- Proactively coordinated with government departments for policy and resource support
- Multiple provinces recognized China Tower as coordinator for 5G site planning

Accelerated acquisition of 5G resources



Site resources Social pole resources Tunnel resources

Enhanced 5G technological innovation

- Promoted innovative passive DAS co-location products for 5G construction that would cope with the challenge of high frequency indoor coverage
- Launched innovative energy solutions and products to lower the augmentation cost of 5G network power demand

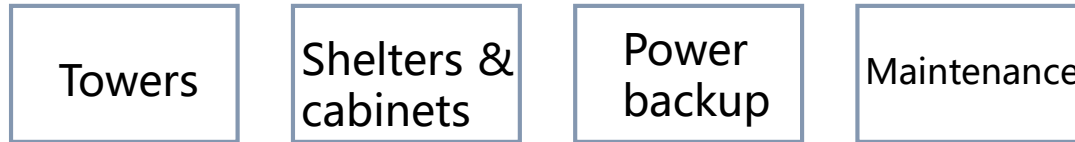


Note: data as of 31 December, 2019.

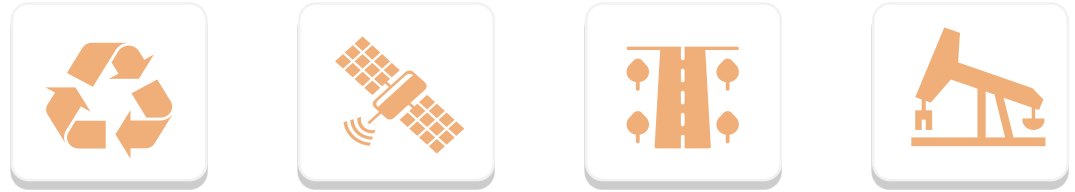
TSSAI Business

Maintained high-quality growth by leveraging resource advantage

Advantage of vast resources and capabilities



Building influence in major industries/sectors



Ecology and environmental services

Satellite positioning

Transportation

Petroleum

Promote standardized solutions



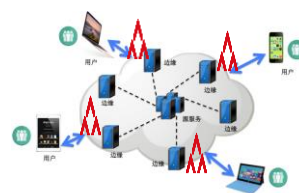
Surveillance



Data & information collection



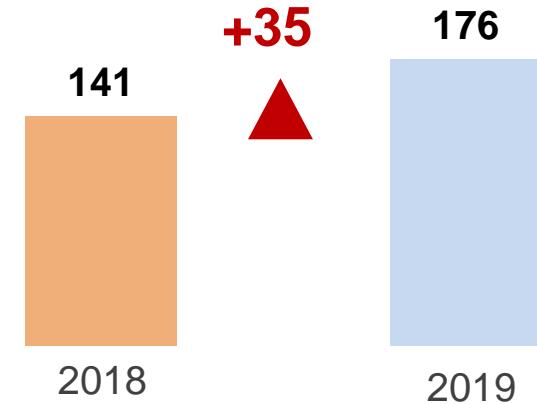
Emergency services



Edge computing

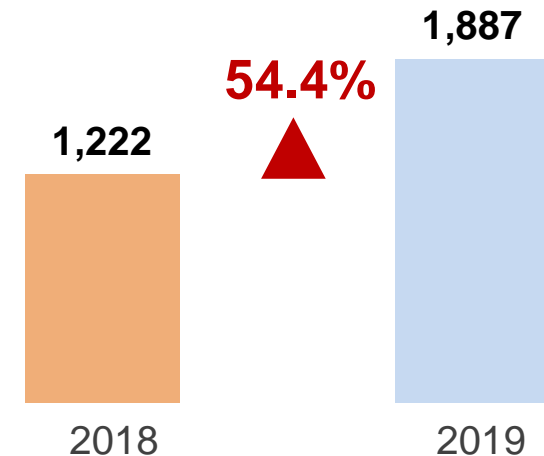
TSSAI tenants

(thousand)



Operating revenue of TSSAI business

(RMB million)



Energy Operation Business

Business deployment through sharing and collaboration

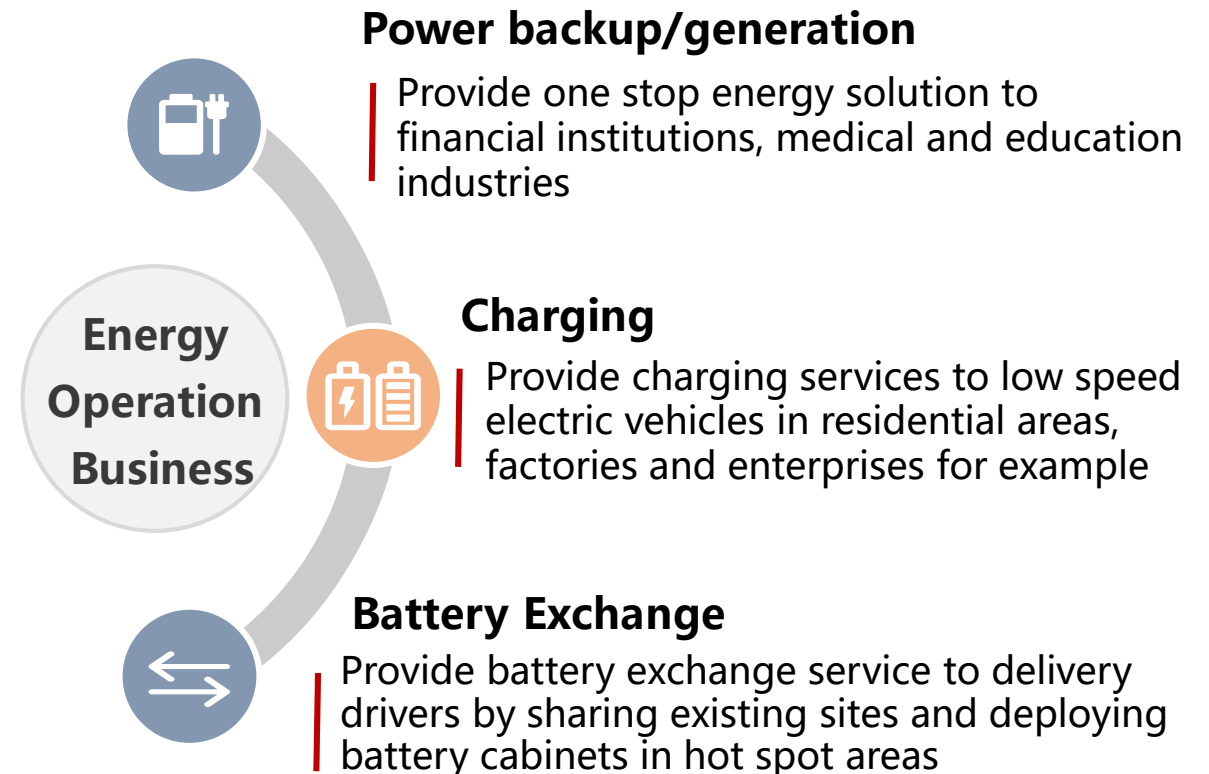
2019

Achieved effective business deployment

2020

Promote high-quality development

- Established Energy Tower subsidiary and promoted professional operations
- Adhere to sharing and collaborative philosophy, extended resource and capability advantages in society wide applications
- Initially formed the energy business system to provide diversified energy services to the society
- Steadily promoted energy operation business following the principle of “pilot project first before gradually rolling out”



Strengthened Service and Support Capability via Precision Maintenance System

—● Based on customers; Focus on services ●—

Enhanced Customer Service

- Optimized the service mechanism and improved customer satisfaction
- Enhanced network quality by strengthening precision maintenance
- Improved mechanisms for emergency communications and higher level of protection services

Strengthened Delicacy Management

- Delicately managed the use of electricity to reduce costs
- Expanded the scale of self-owned and self-maintained tower sites to control the increase of site leasing fee
- Implemented precision maintenance to lower costs

Improved Maintenance Capabilities

- Enhanced standardized and intelligent professional support, and service capabilities
- Introduced a visualized, manageable and controllable system to improve efficiency
- Optimized integrated operation and maintenance to support "One Core and Two Wings" strategy

Key Tasks for 2020

- 1 Accelerate sharing and collaborative development to maintain steady revenue growth
- 2 Strengthen "Two Wings" business and nurture new growth engines
- 3 Further promote quality-oriented development to improve efficiency and profitability
- 4 Enhance customer service and provide well-rounded and high quality servicing
- 5 Strengthen core competences and enhance operating efficiency

03

Financial Performance

Mr Gao Chunlei

Chief Accountant

Key Financial Indicators

| (RMB million) | 2018 | 2019 | Change | Comparable Change ¹ |
|---------------------|--------------------|--------|--------|--------------------------------|
| Operating revenue | 71,819 | 76,428 | 6.4% | |
| Operating expenses | 62,738 | 65,147 | 3.8% | 5.5% |
| Operating profit | 9,081 | 11,281 | 24.2% | 12.6% |
| EBITDA | 41,773 | 56,696 | 35.7% | 6.0% |
| Net profit | 2,650 | 5,222 | 97.1% | |
| Operating cash flow | 45,540 | 49,935 | 9.7% | -15.0% |
| Gearing ratio | 39.9% ² | 38.5% | -1.4pp | |

Note 1: The Group applied IFRS 16 for the year beginning on 1 January 2019. According to IFRS 16, the Group, as a lessee, recognized lease liabilities that reflected future lease payments and right-of-use assets on the balance sheet. In the meantime, depreciation and amortization expenses related to right-of-use assets and finance costs related to lease liabilities are recognized instead of operating lease expenses, while cash payments of lease liabilities were incorporated in cash flows from financing activities instead of cash flows from operating activities.

Note 2: Gearing ratio at 1 January 2019 with adoption of IFRS16.

Effective Control of Operating Expenses

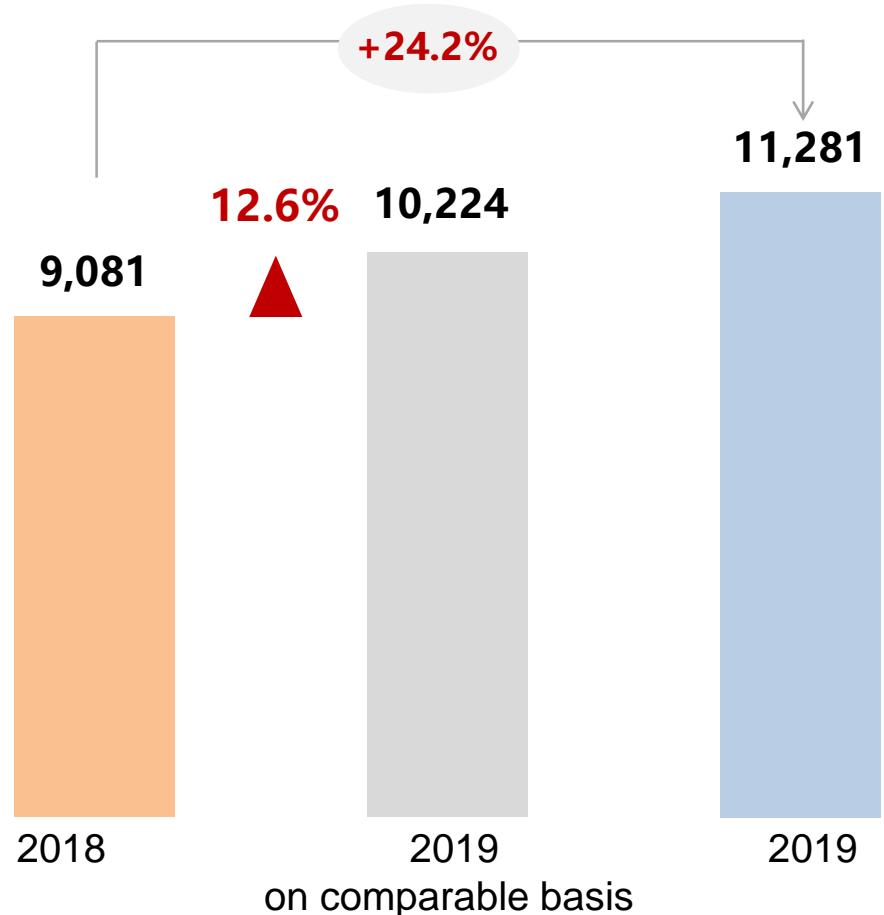
| (RMB million) | 2018 | | 2019 | | Comparable Change | Illustration |
|--------------------------------|--------|------------------------|--------|------------------------|-------------------|---|
| | Amount | % to operating revenue | Amount | % to operating revenue | | |
| Operating expenses | 62,738 | 87.4% | 65,147 | 86.6% * | 5.5% * | |
| Depreciation and amortization | 32,692 | 45.5% | 45,415 | 44.6% * | 4.2% * | <ul style="list-style-type: none"> Benefited from better utilization of own resources and social resources as well as the effective control of construction investment |
| Site operating lease charges | 12,196 | 17.0% | 639 | 16.6% * | 4.1% * | <ul style="list-style-type: none"> Benefited from acquiring site resources at low-cost and effective control of renewal lease charges |
| Repairs and maintenance | 6,165 | 8.6% | 5,993 | 7.8% | -2.8% | <ul style="list-style-type: none"> Benefited from precise and efficient maintenance system and effective control of maintenance cost |
| Employee benefits and expenses | 4,917 | 6.8% | 5,863 | 7.7% | 19.2% | <ul style="list-style-type: none"> Key factors: 1. the recruitment of outstanding industry talents to fulfill its business development needs; 2. the granting of restricted shares under Restricted Share Incentive Scheme to management and key technical personnel |
| Other operating expenses | 6,768 | 9.5% | 7,237 | 9.9% * | 12.1% * | <ul style="list-style-type: none"> Key factors: 1. the increased development expenses of "Two Wings" business; 2. the recognition of the allowance for credit losses in a prudent manner |

Note : Represents the comparison of certain financial information in 2019 and corresponding financial information in 2018 excluding the impact of the adoption of IFRS 16.

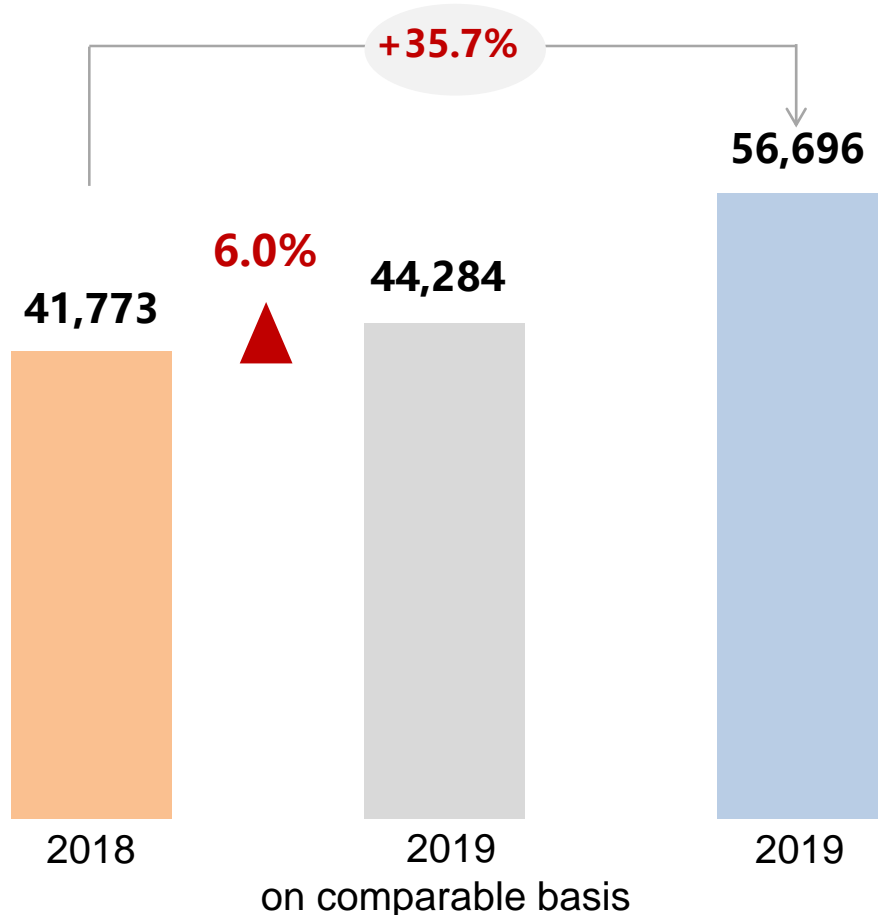
Sustained Growth in Profitability



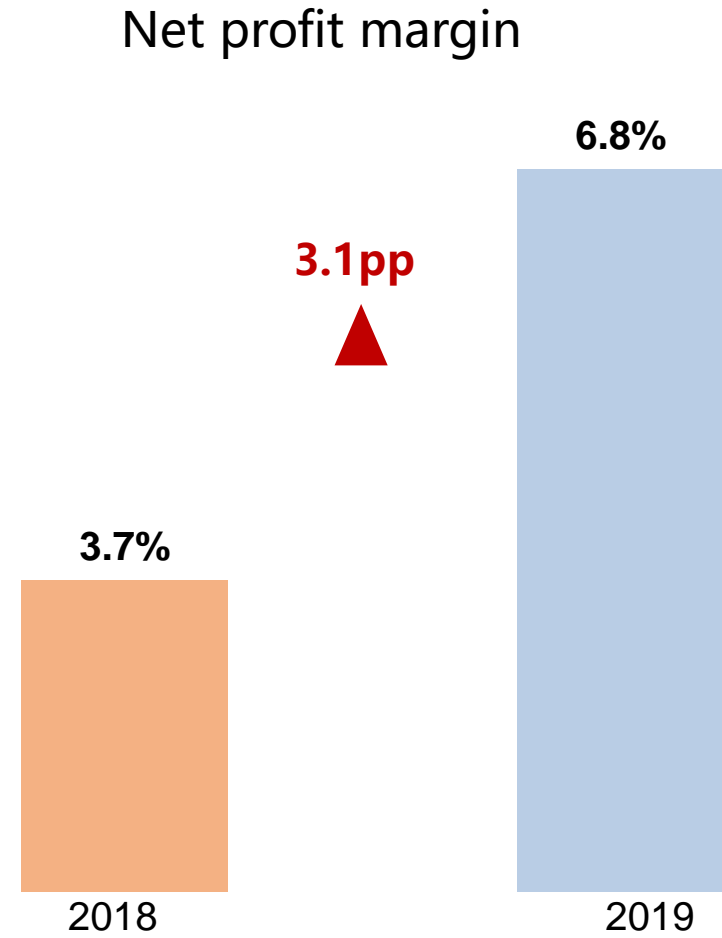
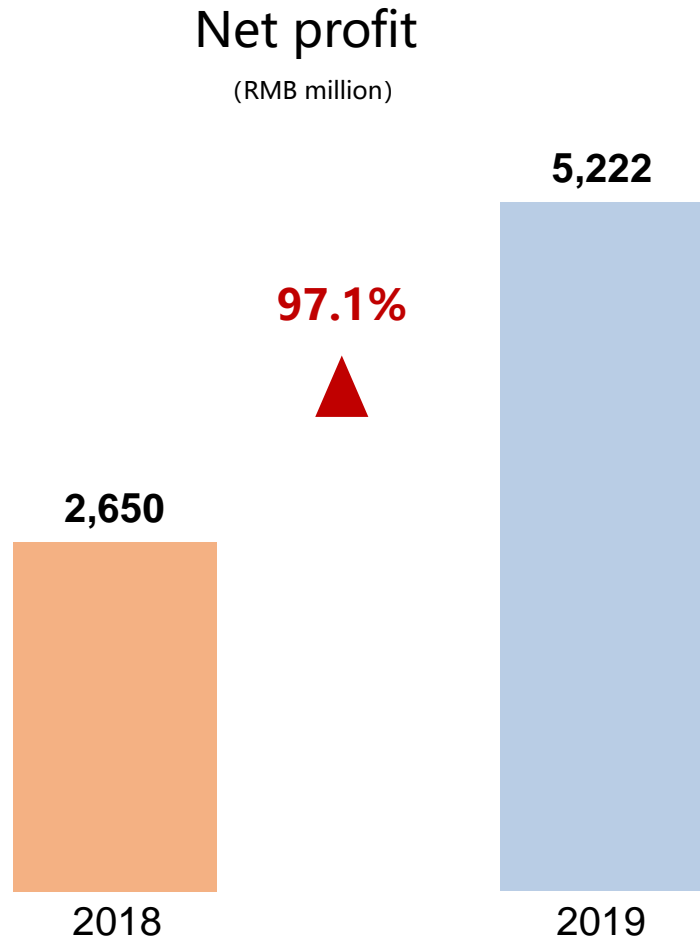
Operating profit
(RMB million)



EBITDA
(RMB million)



Sustained Growth in Profitability (Con't)

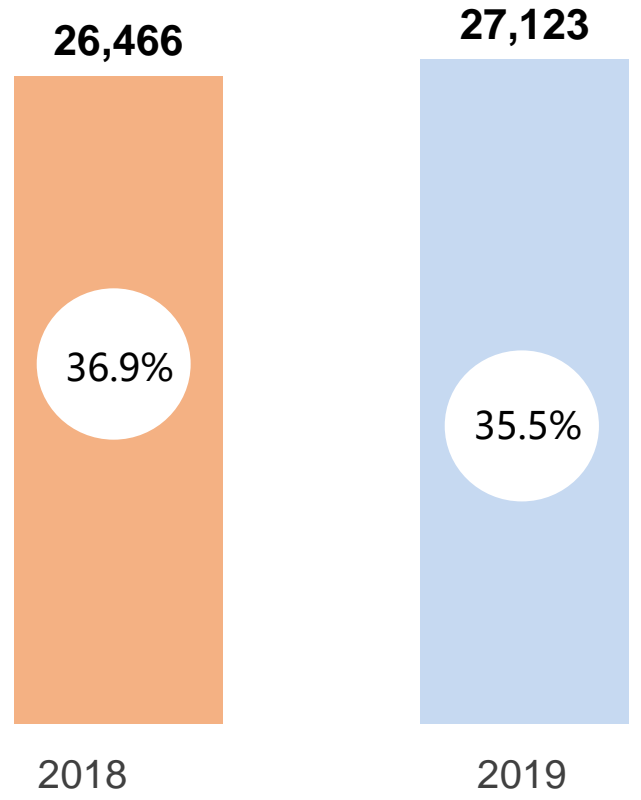


Effective Control of Capex



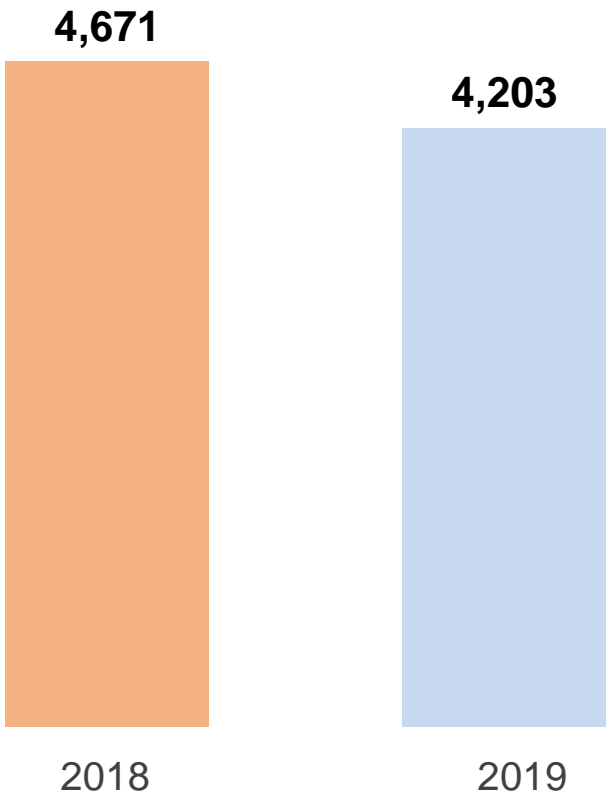
Capex and the % to Operating Revenue

(RMB million)



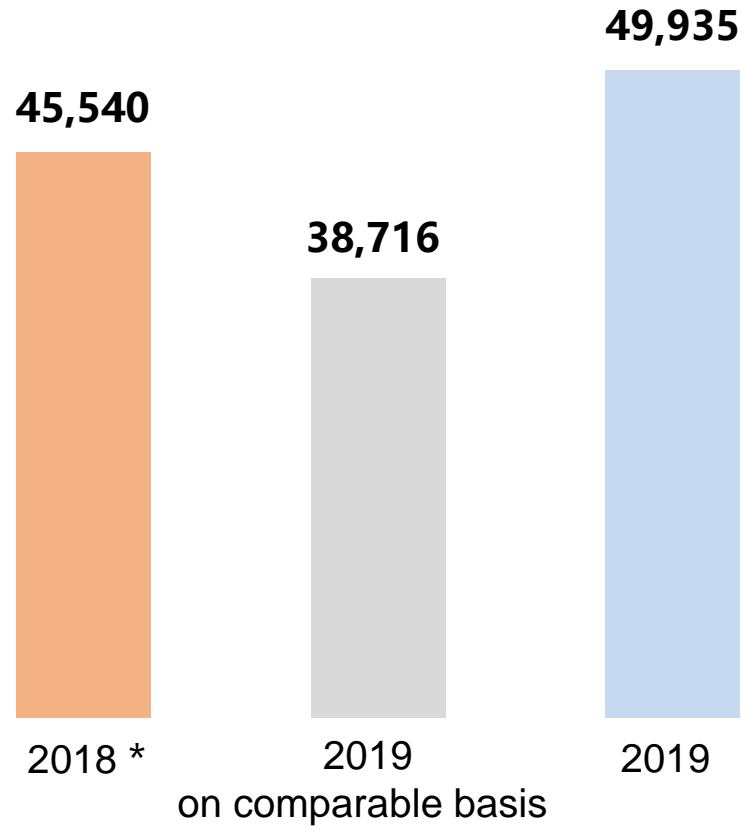
Maintenance Capex

(RMB million)

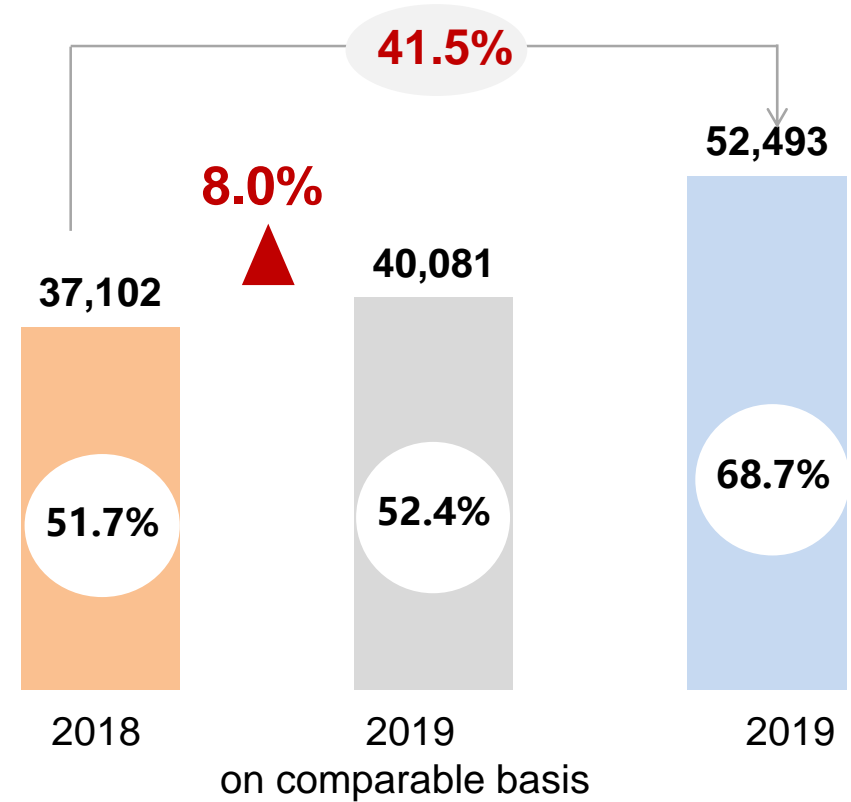


Sound and Healthy Cash Flow

Operating cash flow
(RMB million)



(EBITDA–Maintenance Capex) and
the % to Operating Revenue
(RMB million)



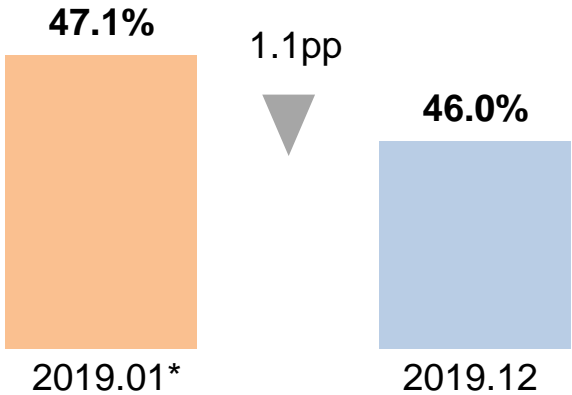
Note: Including one-off noncomparable factors of RMB 3,440 million refunded excess VAT paid in 2018, and the impact of income tax payment due to historical losses.

Solid Capital Structure

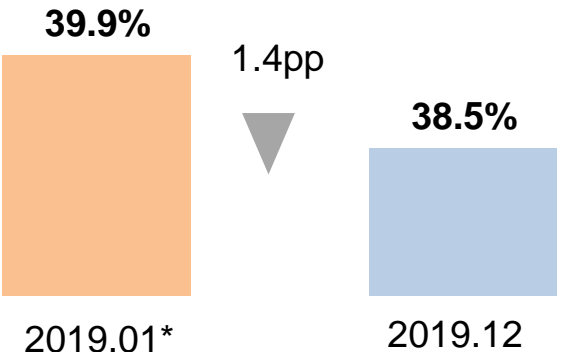
| (RMB million) | 2019.12.31 |
|---------------------------|----------------|
| Assets | 338,067 |
| Cash and cash equivalents | 6,223 |
| Liabilities | 155,506 |
| Interest-bearing debt | 120,353 |
| Total equity | 182,561 |



Liability-to-asset ratio



Gearing ratio



Note*: Restated basis of the assets and liabilities as of 31 December 2018 after retrospective adjustment according to the changes in accounting policies upon initial implementation of IFRS 16.

CHINA TOWER CORPORATION LIMITED
中国铁塔股份有限公司



Q&A

Contact us

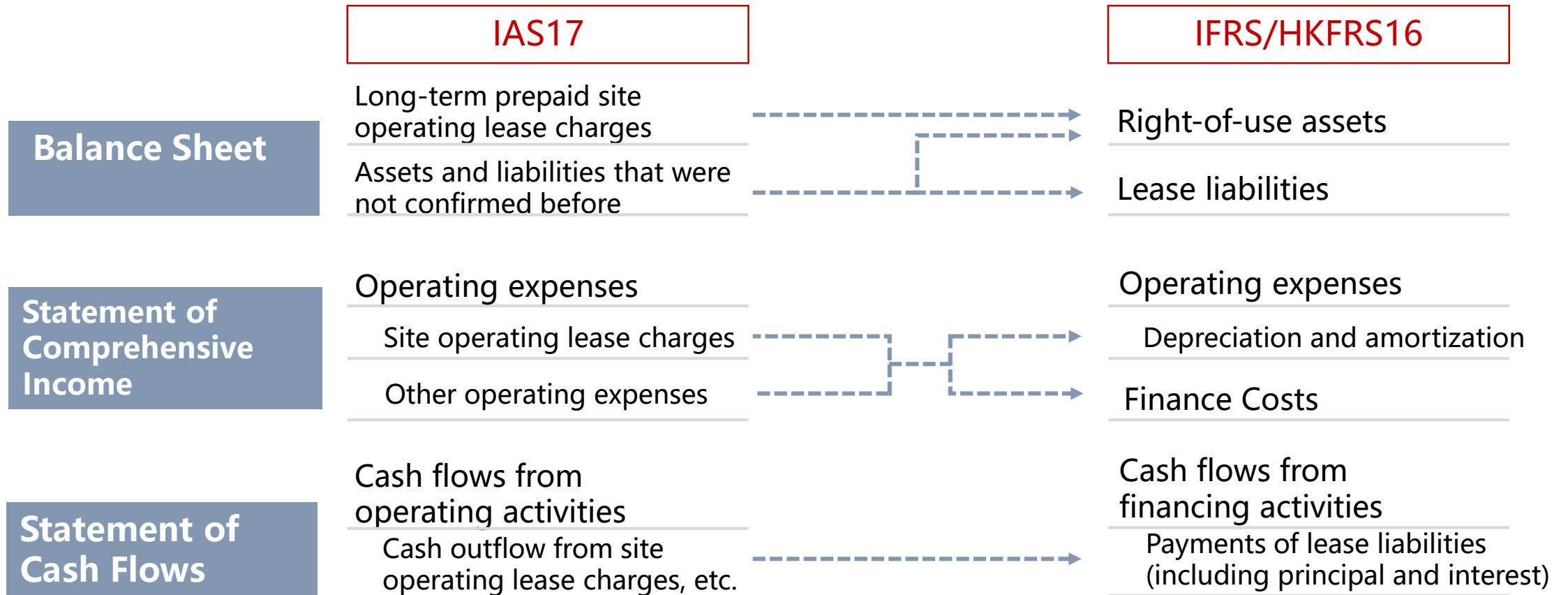
Tel / +852 28114566 Email / ir@chinatowercom.cn

www.china-tower.com.cn

Appendix 1: Illustration on the adoption of IFRS/HKFRS16

Arrangement during the transitional period :

The Group adopted the simplified transition approach and as approved by the transitional provision of IFRS/HKFRS16, did not restate comparative amounts for the year prior to first adoption, with the cumulative effect of initial adoption being recognized as an adjustment to the opening balance of retained earnings as at 1 January 2019.



Appendix 2: Extracted from Audited Consolidated Balance Sheet as at 31 December 2019

| (RMB million) | 2018.12.31 | 2019.12.31 |
|--------------------------------------|----------------|----------------|
| Total Assets | 315,364 | 338,067 |
| Current assets | 31,799 | 40,995 |
| Non-current assets | 283,565 | 297,072 |
| <i>Property, plant and equipment</i> | 249,055 | 239,925 |
| <i>Construction in progress</i> | 12,193 | 12,263 |
| Total Liabilities | 134,862 | 155,056 |
| Current liabilities | 114,759 | 128,364 |
| <i>Borrowings</i> | 79,946 | 87,019 |
| <i>Accounts payable</i> | 30,591 | 29,313 |
| Non-current liabilities | 20,103 | 27,142 |
| Total Equity | 180,502 | 182,561 |

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