



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

# 2019 Interim Results

7 August 2019



# Management

**Mr. Tong Jilu**

Executive Director &  
Chairman

**Mr. Gu Xiaomin**

Executive Director &  
General Manager

**Mr. Gao Chunlei**

Chief Accountant

**Mr. Liu Guofeng**

Deputy General Manager

01

Overall Results

02

Operational Performance

03

Financial Performance

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# 01 Overall Results

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Mr. Tong Jilu  
Executive Director & Chairman

# Performance Highlights

**01**

Overall performance remained stable;  
Operating efficiency improved steadily

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**02**

Optimized business structure;  
Consolidated competitive advantages

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**03**

Implemented “One Core and Two Wings” strategy;  
Furthered resource sharing philosophy

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**04**

Drove innovation in operations;  
Strengthened delicacy management

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# Overall Performance Maintained Steady Growth



**RMB37,980 million**

Revenue

▲ **7.5%**

**RMB27,815 million**

EBITDA

▲ **5.3%**<sup>1</sup>

**RMB20,798 million**

Operating Cash Flow

▲ **5.2%**<sup>1</sup>

**RMB2,548 million**

Net Profit

▲ **110.6%**

**RMB0.0145 yuan**

EPS

▲ **54.3%**

**1.58 tenants / site**<sup>2</sup>

Tower Tenancy Ratio

▲ **7.5%**

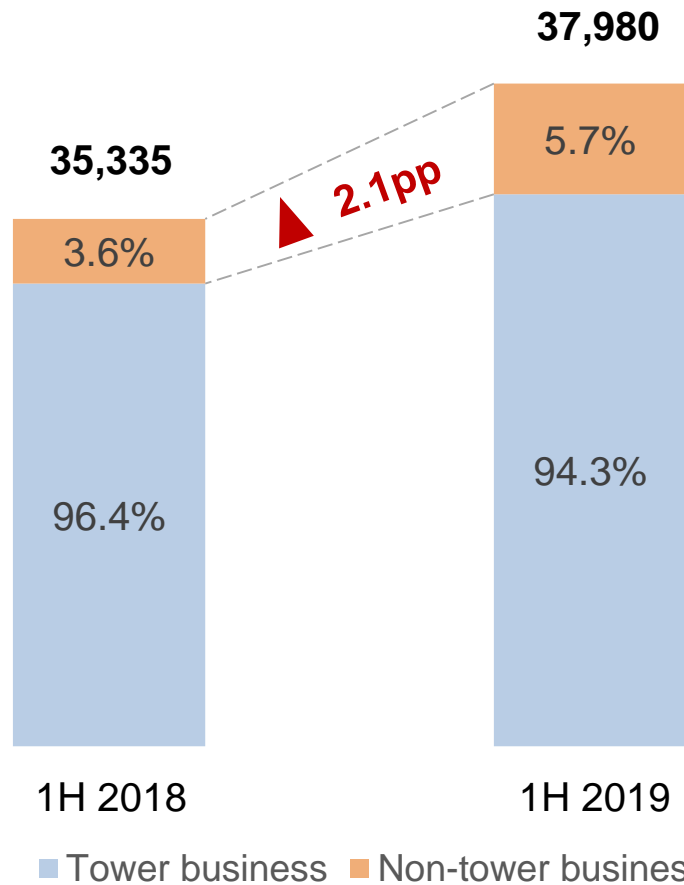
Note 1: Represents increase of ratio on the comparable basis. The comparable basis represents the comparison of certain financial information in the first half of 2019 and corresponding financial information in the same period of 2018 excluding the impact of the adoption of IFRS 16, the same applies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

Note 2: Average tenant per tower site = 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.

# Optimized Business Structure

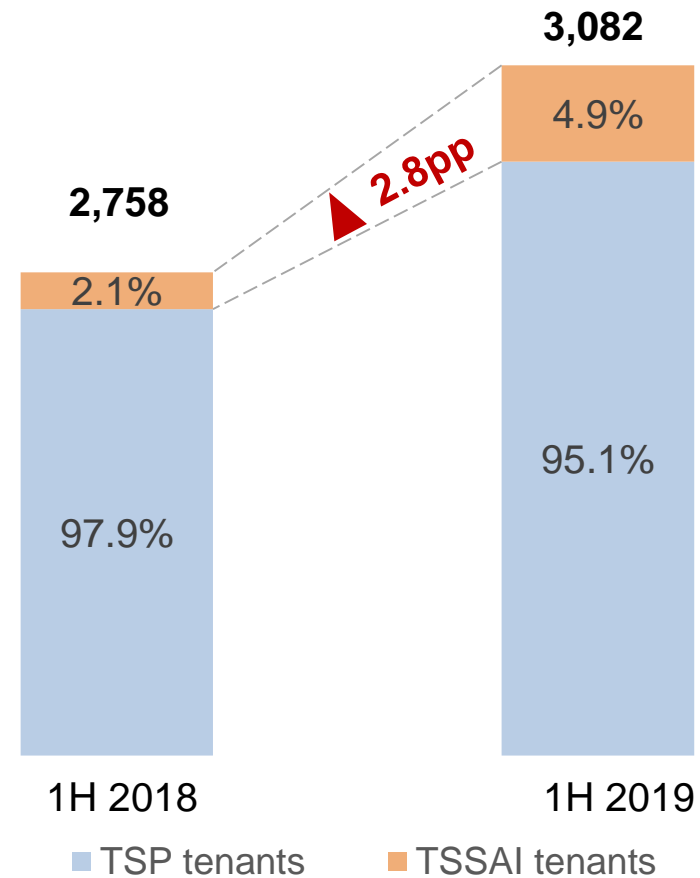
## Operating revenue structure

(RMB million)



## Tower tenants

(thousand)



# Consolidated Competitive Advantages

## Commanding market position



**1,954 thousand**

Significant advantage on the scale of tower sites



**>97%\***

Over 97% market share; Enjoys a dominant market position



**~ 10 million**

Reserved tens of millions of social 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 grid, railway, real estate, Internet, logistics and transportation companies, etc.

## Efficient operations management



**Intelligentization**

- Integrated maintenance and monitoring system
- E-platform for full-process production management



**Specialization**

- Precise maintenance system covering every professional area



**Flat management**

- Efficient & flat management system
- Global leader in terms of the number of sites managed per employee

Enhance the core competitive advantage of “low cost, high-efficiency and quality service”

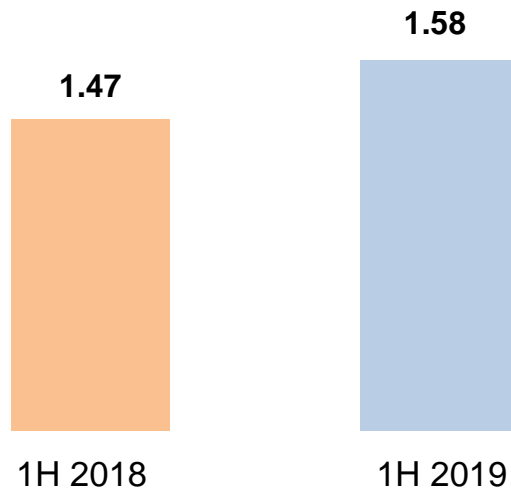


# Furthered Resource Sharing Philosophy

## Enhanced resource sharing

- Prioritized co-location and co-construction over new and single construction to save Capex and improve site co-location level
- Proactive markets of single tenant sites to meet customer demand and drive co-location

**Tower tenancy ratio**  
(tower tenants / tower sites)



## Innovative construction and service model

- Full implementation of integrated wireless communications coverage solutions
- Strengthened access to and utilization of social resources

**New small cells demand mainly fulfilled by social resources**



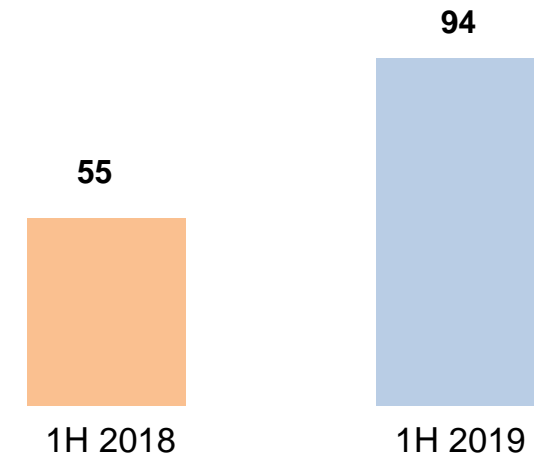
**Promoted more social resource utilization for newly-built macro cells**



## Committed to meeting construction needs

- Further demand for 4G deployment
- Increasing demand for 5G rollout

**Net increase of TSP tenants**  
(thousand)



# Drove Innovation in Operations

## Professional management of “Two-wings” businesses



Focus on  
developing TSSAI  
business



Explore society-  
wide operation  
of energy  
business

Leverage resource advantage to  
explore the scope of resource sharing

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## Implementation of share incentive scheme

### First grant

- Target  
Core management and key  
technical personnel
- Total shares granted  
**1,210 million H-shares**

Aligned interests between  
management and shareholders

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## Strengthened delicacy management

- Improved organizational  
structure and management  
processes
- Implemented financial  
management  
standardization
- Raised the level of  
information management

Enhanced delicacy management  
to improve efficiency

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# Seize Opportunities to Create Value

## Better Opportunities

- Implementation of “Cyberpower” and “Digital China” strategy
- Commencement of the 5G rollout
- Booming demand for the applications of informatization across society
- Great potential in energy business for society-wide operations

## Higher Requirements

- Network technology evolution puts higher requirements on service capabilities
- The “Two-wings” businesses are still in early development, putting forward higher requirements for diversified development

# Implement “One Core, Two Wings” Strategy

## Core business

Sharing strategy reinforces our leading position in the TSP market

## Two Wings

Nurturing new engines for growth, expanding and strengthening the “Two-wings” businesses

## Core competences

Strengthening core competences to strive for continued growth

Accelerate the development of China Tower into a growth and value enterprise

Better Quality

More efficient

More sustainable

## Goals



Steady revenue growth



Profit growth higher than revenue growth



Enterprise value grows steadily

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# 02 Operational Performance

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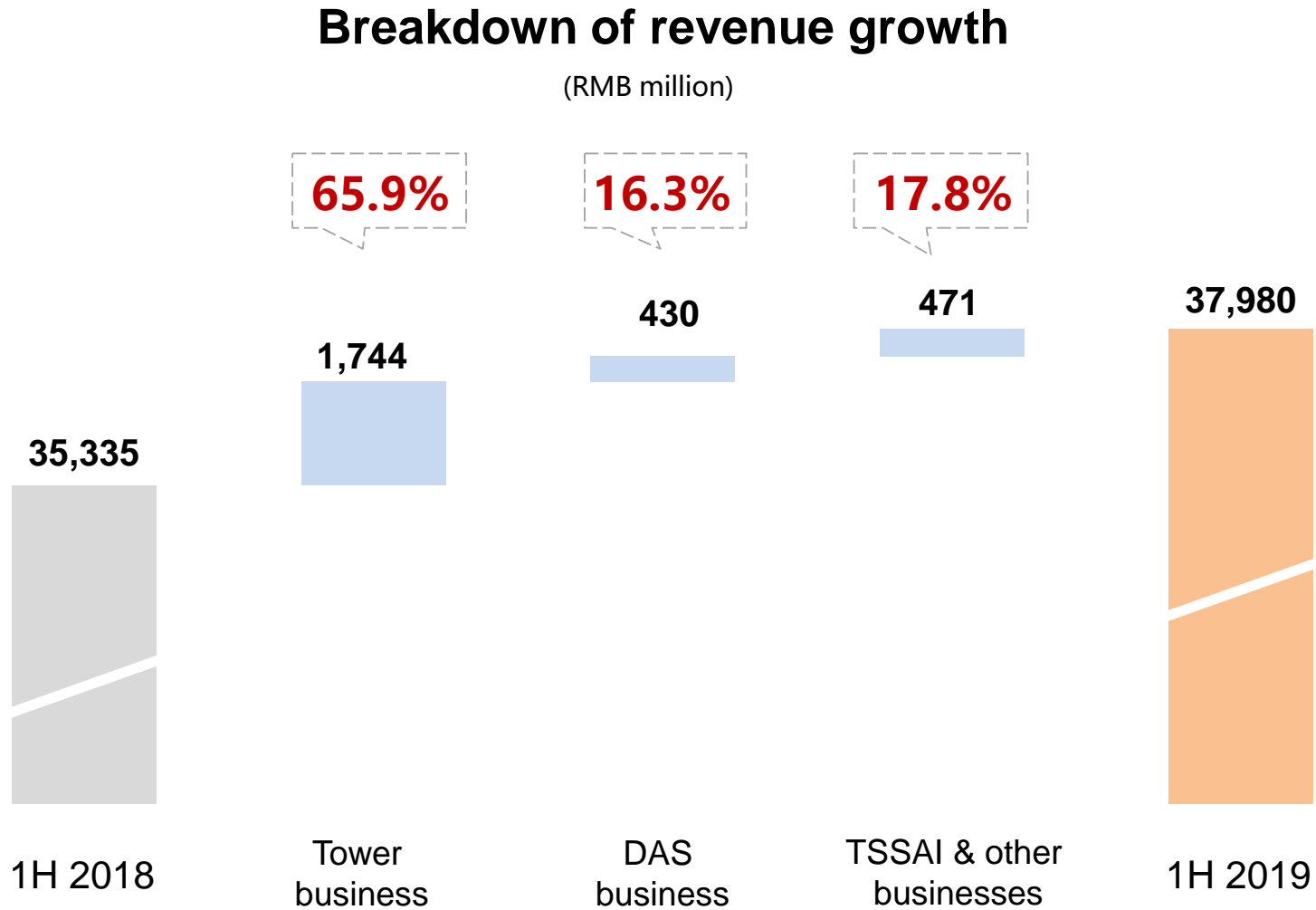
Mr. Gu Xiaomin  
Executive Director & General Manager

# Key Operational Indicators

Indicators	1H 2018	1H 2019	Change
<b>Operating revenue (RMB million)</b>	<b>35,335</b>	<b>37,980</b>	<b>7.5%</b>
<i>Tower business</i>	34,064	35,808	5.1%
<i>DAS business</i>	824	1,254	52.2%
<i>TSSAI business</i>	374	843	125.4%
<b>Number of tower tenants (thousand)</b>	<b>2,758</b>	<b>3,082</b>	<b>11.7%</b>
<i>TSP tenants</i>	2,700	2,931	8.6%
<i>TSSAI tenants</i>	57	151	164.9%
<b>Number of tower sites (thousand)</b>	<b>1,879</b>	<b>1,954</b>	<b>4.0%</b>
<b>Tower tenancy ratio (tower tenants / tower site)</b>	<b>1.47</b>	<b>1.58</b>	<b>7.5%</b>
<b>Average revenue per tower site * (RMB thousand)</b>	<b>18.4</b>	<b>18.9</b>	<b>2.7%</b>

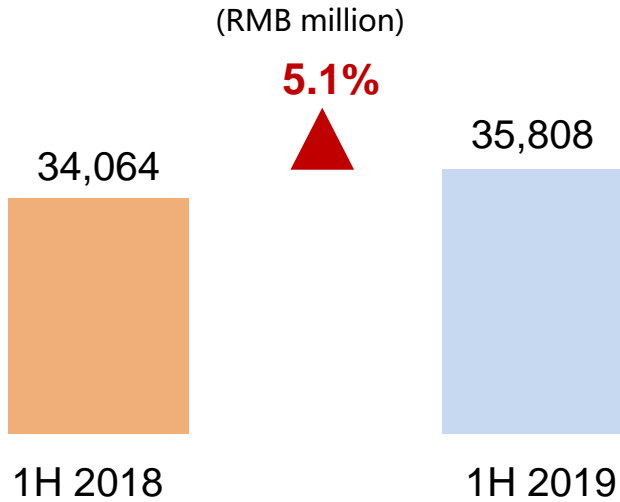
Note\*: Average revenue per site=(operating revenue of tower business+ operating revenue of TSSAI business) / ((number of sites at the beginning of the period + number of sites at the period end)/2)

# Breakdown of Revenue Growth

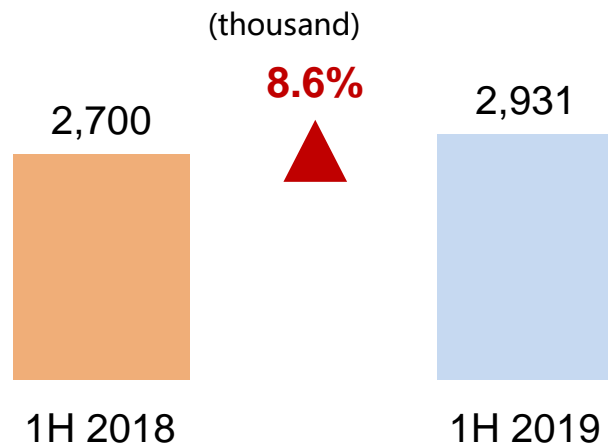


# Stable Growth in TSP Business

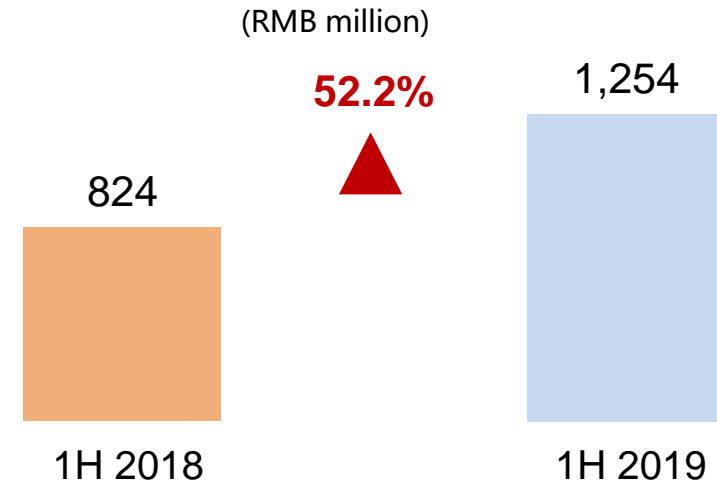
## Operating revenue of tower business



## TSP tenants



## Operating revenue of DAS business



Buildings



High-speed railways



Subways

- Total area of in-building coverage  
1,910 million m<sup>2</sup> ▲ 450 million m<sup>2</sup>
- Total distance of high-speed railways covered  
18,218 km ▲ 527 km
- Total distance of subways covered  
3,110 km ▲ 223 km

Data as of 30 June 2019

▲ net increase in the first half of 2019



# Fully Addressed the Needs for 5G Rollout

## Strengthened 5G coordination and planning

- Proactive coordinated with government departments for policy support
- Many provinces recognized China Tower as coordinator for 5G site planning

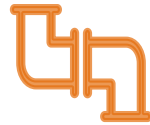
## Accelerated acquisition of 5G resources



Site  
resources



Social pole  
resources



Tunnel  
resources

## Enhanced 5G technological innovation

- Promoted DAS co-location for 5G to lower the construction cost for the industry
- Provided innovative energy solutions to solve 5G network power supply

## Responsible for 5G construction in many cities



Based on public information

# TSSAI Business Maintained Fast and Healthy Growth

- Established **three business brands** under Smart Tower and standardized products. Focus on both quality and quantity development to provide valued service
- Focused on developing key sectors and key customers, and made progress in launching pilot projects in areas such as **ecological and environmental conservation, emergency response and satellite positioning** to drive high-quality growth



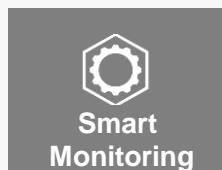
Provide site resource services

- Tower mounting service
- Shelter hosting service



Provide data information services

- Data collection
- Vertical industry informatization

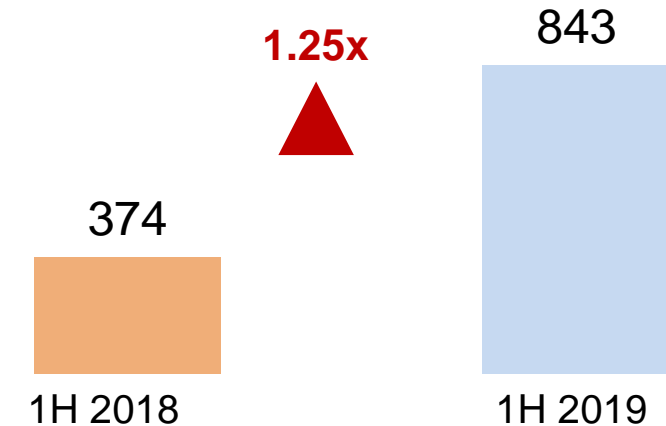


Provide supervision and surveillance services

- Equipment supervision
- Third-party shelter supervision

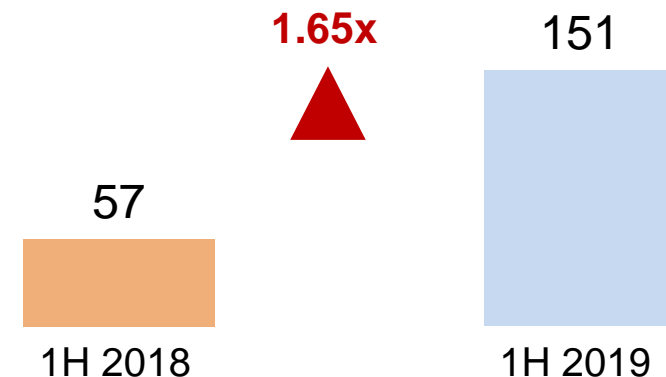
## Operating revenue of TSSAI business

(RMB million)



## TSSAI tenants

(thousand)



# Energy Operation Business Started Rapidly

## Competitive advantages

### Superior tower site resources

- 1,954 thousand tower site resources



### Large-scale battery procurement

- Centralized, highly efficient, with an e-commerce platform



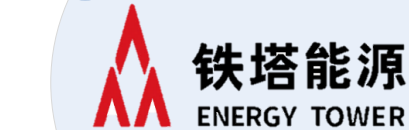
### Highly efficient service

- Localized maintenance team across the country
- 7X24 power supply and backup
- Unified and nationwide customer service platform



### Intelligent monitoring platform

- The world's largest visible, manageable and controllable intelligent monitoring system



## Explore energy business for society-wide operations

### Power backup service

- Provide uninterruptible integrated power supply solutions to financial branches, medical institutions, schools, etc.

### Battery exchange service

- Provide power battery exchange service to low-speed electric vehicle users
- Promote pilot projects in **50** cities nationwide

# Outlook for Second Half of 2019

Accelerating  
development  
progress

Promoting  
high-quality  
development

**01**

Deepen the philosophy of resource-sharing and maintain steady revenue growth

**02**

Focus on key sectors and scalable development of “Two-wings” businesses

**03**

Improve operating efficiency and profitability

**04**

Enhance customer service and provide well-rounded quality-service

**05**

Implement innovative mechanisms to strengthen core competitiveness

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# 03 Financial Performance

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Mr. Gao Chunlei  
Chief Accountant

# Key Financial Indicators

(RMB million)	1H 2018	1H 2019	Change	Comparable Change
Operating revenue	35,335	37,980	7.5%	
Operating expenses	30,575	32,354	5.8%	7.5%
Operating profit	4,760	5,626	18.2%	7.7%
EBITDA	20,907	27,815	33.0%	5.3%
Net profit	1,210	2,548	110.6%	
Operating cash flow	17,173	20,798	21.1%	5.2% <sup>1</sup>
Gearing ratio	39.9% <sup>2</sup>	39.4%	-0.5pp	

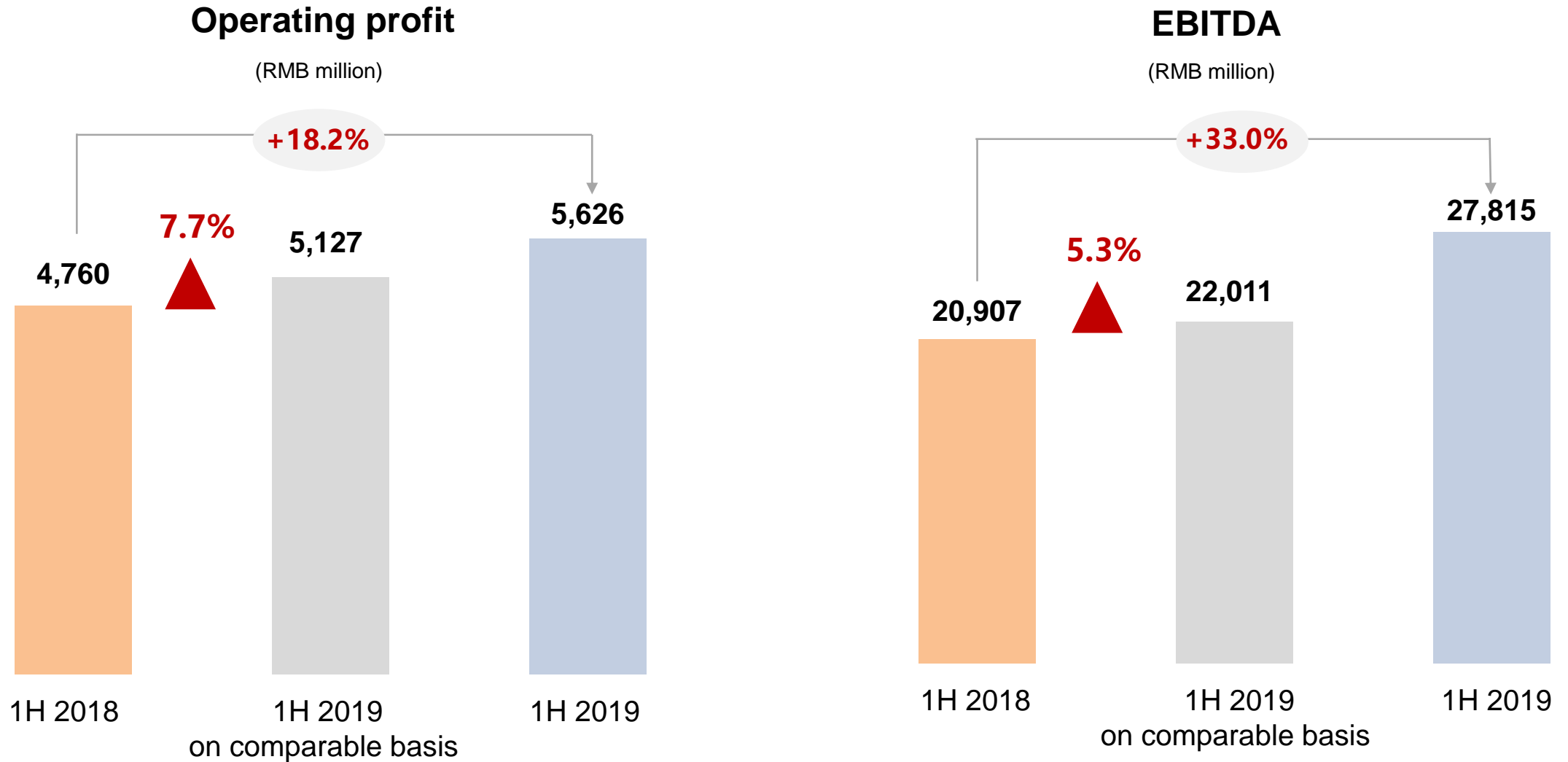
Note 1: The Group applied IFRS 16 for the year beginning on 1 January 2019. According to IFRS 16, the Group, as a lessee, recognized lease liabilities that reflected future lease payments and right-of-use assets on the balance sheet. In the meantime, depreciation and amortization expenses related to 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.

# Efficient Control of Operating Expenses

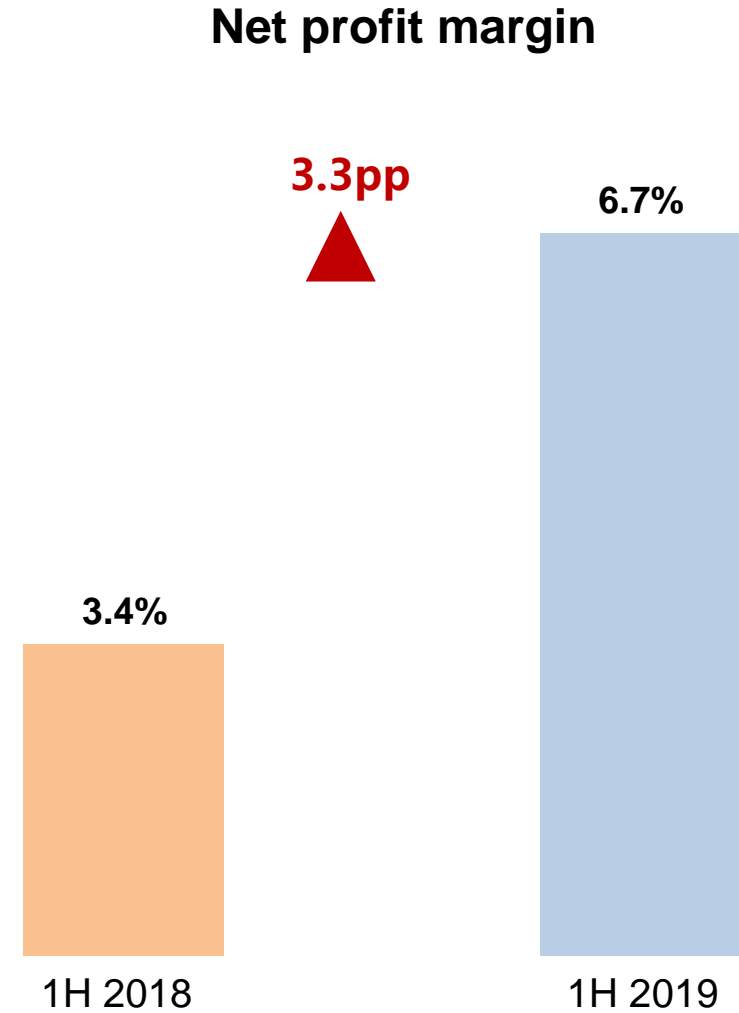
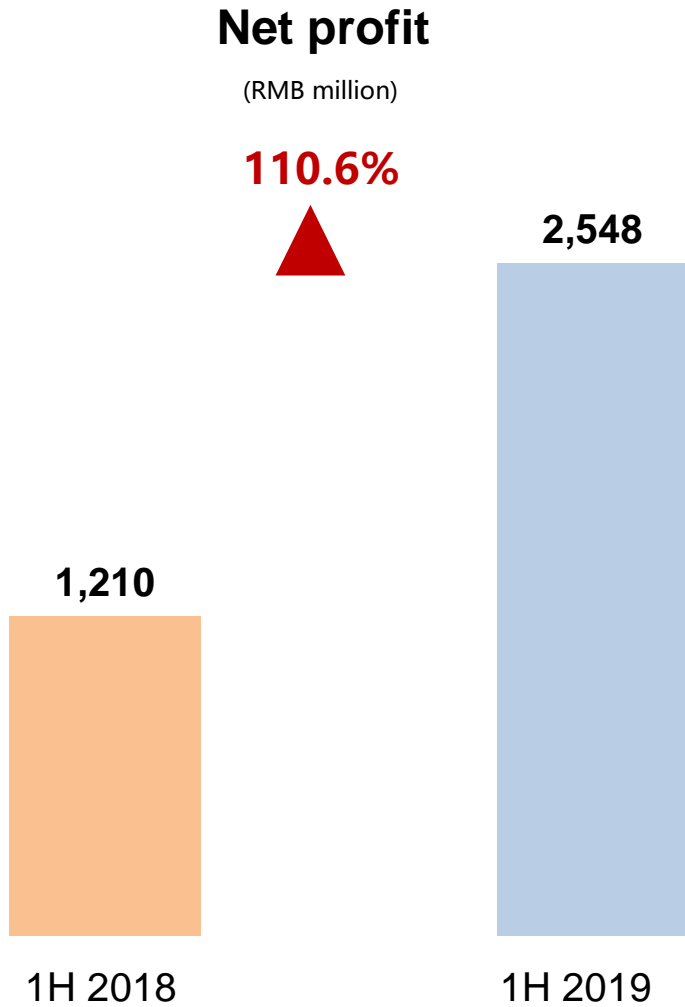
(RMB million)	1H 2018	1H 2019	Comparable Change	Illustration
<b>Operating expenses</b>	<b>30,575</b>	<b>32,354</b>	<b>7.5%</b>	
Depreciation and amortization	16,147	22,189	4.6%	<ul style="list-style-type: none"> <li>Benefited from effective control of construction cost and improved co-location rate</li> </ul>
Site operating lease charges	6,021	578	3.5%	<ul style="list-style-type: none"> <li>Actively seeks low-cost site resources and strictly controls the increase of lease expenses</li> </ul>
Repairs and maintenance	2,990	3,095	3.5%	<ul style="list-style-type: none"> <li>Benefited from precise and efficient maintenance system</li> </ul>
Employee benefits and expenses	2,478	3,058	23.4%	<ul style="list-style-type: none"> <li>Mainly due to the recruitment of professional and technical personnel for business development in second half of 2018, and the granting of restricted shares under Restricted Share Incentive Scheme to management and key technical personnel</li> </ul>
Other operating expenses	2,939	3,434	16.8%	<ul style="list-style-type: none"> <li>Caused by the increased marketing expenses of TSSAI business, and the recognition of the allowance for credit losses in a prudent manner</li> </ul>

# Stable Growth in Operating Profit and EBITDA





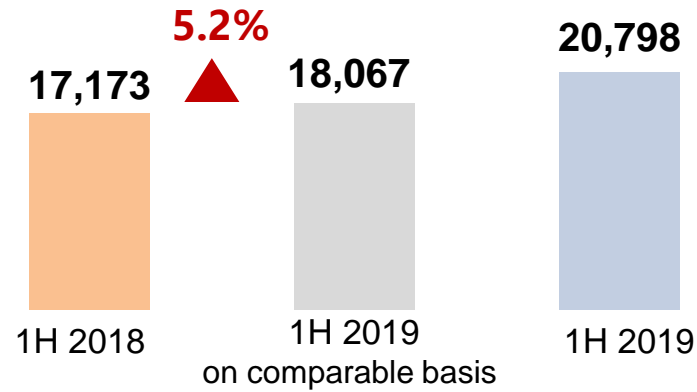
# Robust Growth in Profitability



# Continued Improvement in Cash Flow

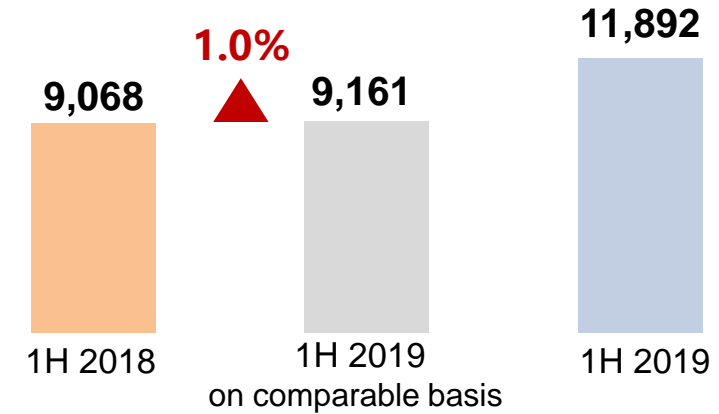
## Operating cash flow

(RMB million)



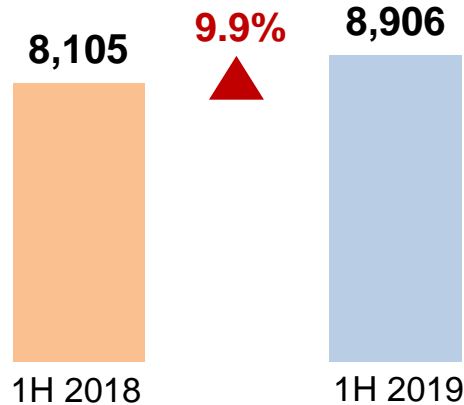
## Free cash flow \*

(RMB million)



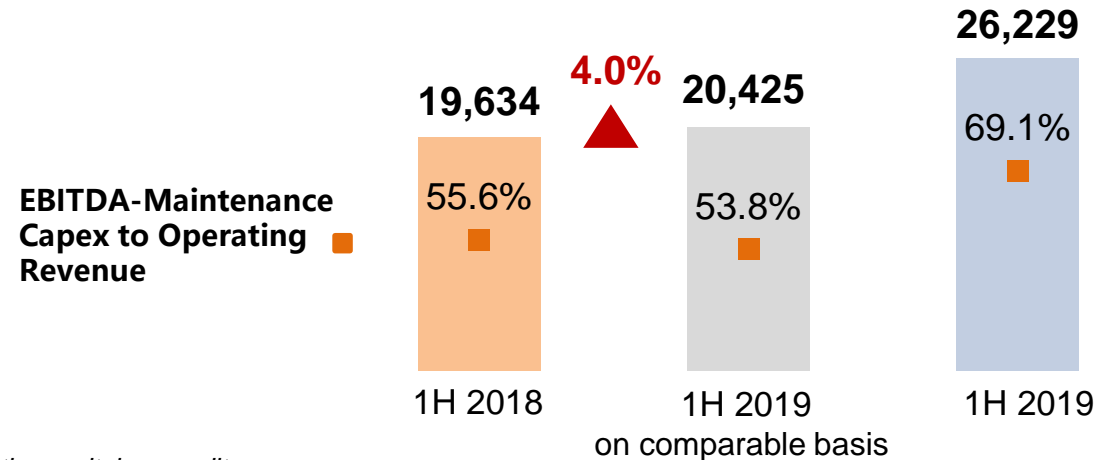
## Capex

(RMB million)



## (EBITDA–Maintenance Capex)

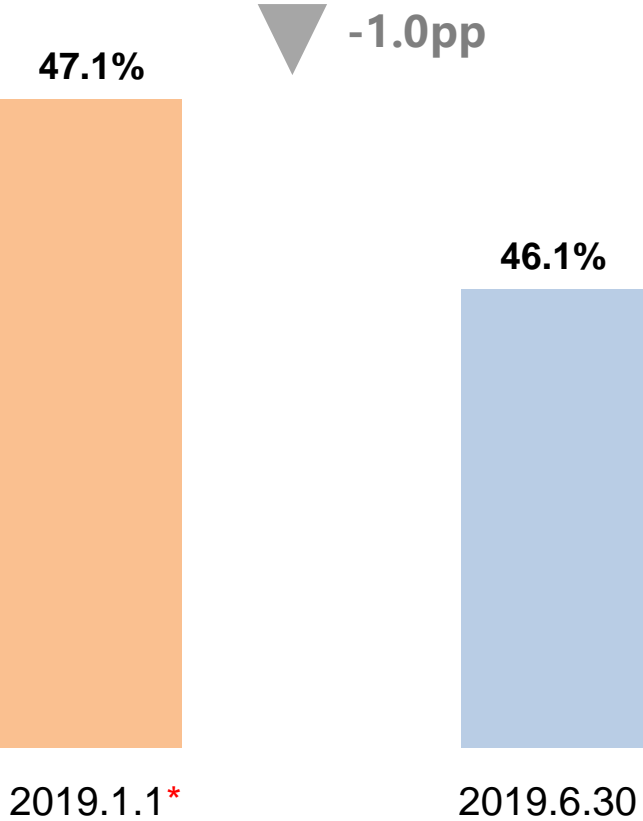
(RMB million)



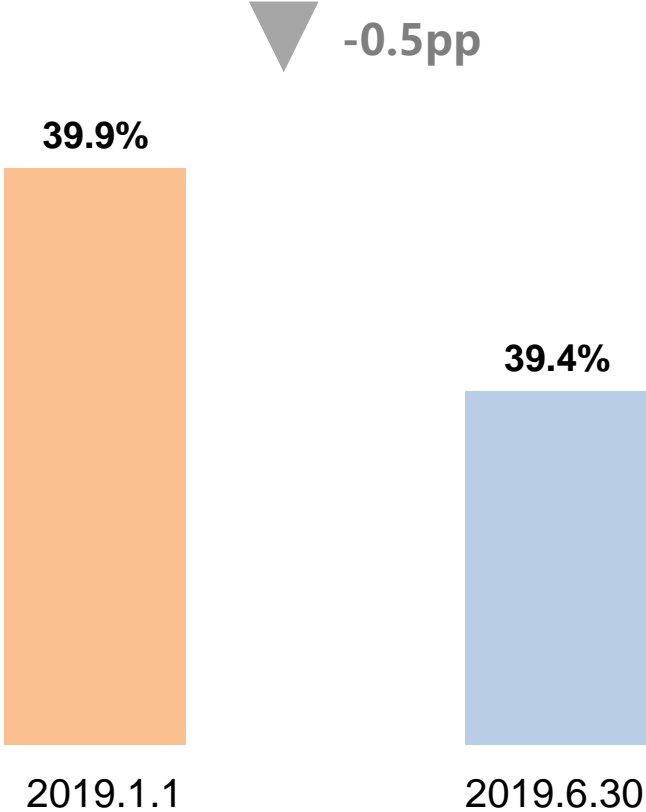
Note\*: Free cash flow is the net cash generated from operating activities minus the capital expenditures.

# Solid Capital Structure

### Liability-to-asset ratio



### Gearing ratio



Note\*: Liability-to-asset ratio at 1 January 2019 with adoption of IFRS16.

# Q&A

## Contact us

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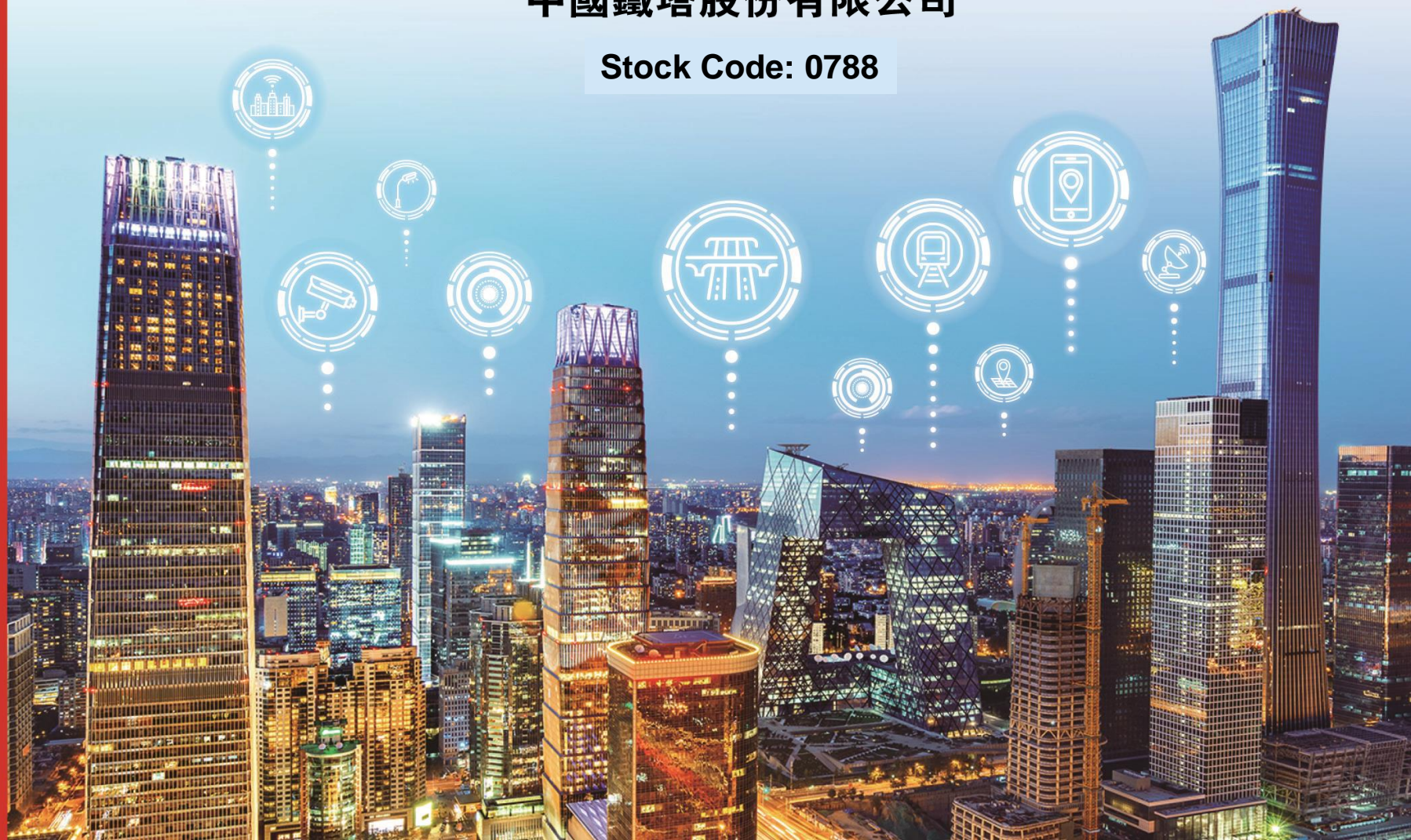
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**CHINA TOWER CORPORATION LIMITED**  
**中國鐵塔股份有限公司**

Stock Code: 0788



# Appendix 1: Extracted from Unaudited Interim Condensed Consolidated Balance Sheet as at 30 June 2019

(RMB million)	2018.12.31	2019.06.30
<b>Total Assets</b>	<b>315,364</b>	<b>336,328</b>
Current assets	31,799	38,930
Non-current assets	283,565	297,398
<i>Property, plant and equipment</i>	<i>249,055</i>	<i>241,881</i>
<i>Construction in progress</i>	<i>12,193</i>	<i>10,403</i>
<b>Total Liabilities</b>	<b>134,862</b>	<b>155,195</b>
Current liabilities	114,759	118,807
<i>Borrowings</i>	<i>79,946</i>	<i>78,138</i>
<i>Accounts payable</i>	<i>30,591</i>	<i>28,462</i>
Non-current liabilities	20,103	36,388
<b>Total Equity</b>	<b>180,502</b>	<b>181,133</b>

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