

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



Stock code: 0788

# 2020 Interim Results

*11 August 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 Performance

Mr Tong Jilu

Executive Director and Chairman

# Steady Growth in Operating Performance

**RMB39,794 million**

Operating Revenue

 **4.8%**

**RMB29,100 million**

EBITDA

 **4.6%**

**RMB27,083 million**

Operating Cash Flow

 **30.2%**

**RMB2,978 million**

Net Profit<sup>1</sup>

 **16.9%**

**RMB0.0170 yuan**

EPS

 **17.2%**

**1.64 tenants / sites**

Tower Tenancy Ratio<sup>2</sup>

 **3.8%**

*Note 1: Net profit is the profit attributable to owners of the company, the same applies herein after.*

*Note 2: 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.*

# Promoted 5G Construction intensively and efficiently

“ Overcame impact of the pandemic and completed 5G construction assignments intensively and efficiently. ”

- Enhanced overall coordination and outperformed on 5G construction schedule in the first half of 2020
- Favored resource allocation to first-tier cities to accelerate their 5G construction
- Product solution innovation to effectively solve difficulties in 5G construction
- Carried out special activities for 5G construction together with TSPs

Completion rate of deliverable 5G construction demand

**108 %**

Number of 5G sites built in 1H2020

**215 thousand**

# Built Impetus for the Development of Two Wings Business



## TSSAI business

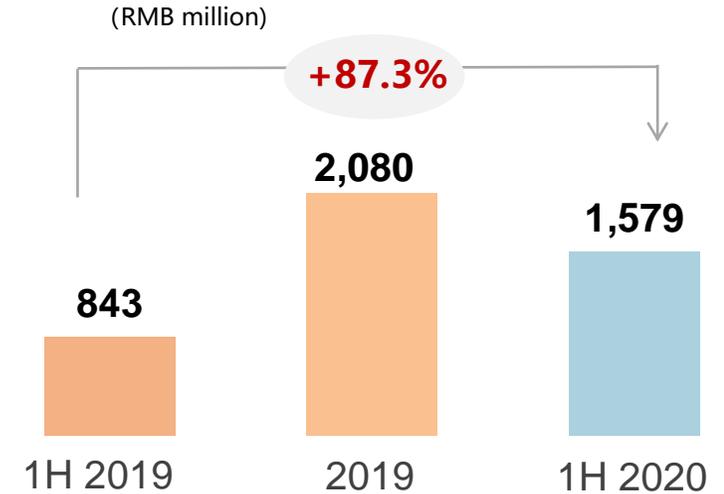
- Provided thorough industrial solutions to focus sectors
- Accelerated transition from providing ordinary site leasing service to offering integrated information service
- Built TSSAI business operation platform and showed initial results



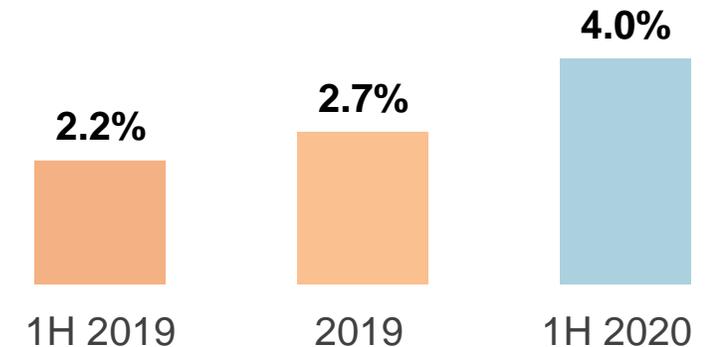
## Energy operation business

- Enhanced product creation and platform support
- Launched comprehensively in major first and second tier cities across the country
- Accelerated quarter-on-quarter growth in revenue

### Strong revenue growth in Two Wings business



### Proportion of Two Wings business revenue to total revenue grew rapidly



# Strengthened Sharing and Innovation Capabilities

“A major pillar in the wireless communications infrastructure construction sector”

## Proactively obtained resources and policy support

- Gained access to public resources and policy support on 5G construction from the government.
- Cooperation with property developers to obtain resource advantages.

## Leveraged advantages on the scale of resources

- Over 2 million tower sites, the largest scale in the world and widely distributed
- Lower construction cost from utilization of social resources.

## Furthered the sharing

- Promoted two-way conversion of telecommunication towers and social poles.
- Extend sharing concept from traditional sharing of tower, shelter and DAS to integrated sharing of transmission, power, etc.

**Collaborative and sharing capabilities**

Sharing  
+  
Innovation

**Innovation capabilities**

## Strengthened technological innovation

- Innovative construction plan to enhance the sharing capacity of existing tower sites.
- Accelerated 5G construction with low costs, innovated differentiated DAS and innovative power supply.

## Promoted product and service innovation

- Promoted the implementation of integrated wireless communications coverage solutions.
- Provided differentiated and customized products and services.

## Sped up platform innovation

- A visualized, manageable and controllable supervision system.
- Built Internet of Things and Internet platform serving the whole nation.

# Management Capability Continue to Improve

*" To achieve high-quality development and efficiency by "*  
*enhancing competencies and effectiveness of management*



## Integrated operation support

- Integrated operation and maintenance support
- Integrated platform support



## Enhanced delicacy management

- Strengthened cost control across all operations
- Accelerated promotion of standardized management



## Strengthened internal control

- Reinforced risk management in key areas
- Improved the internal control management mechanism



## Emphasis on evaluation and motivation

- Optimized performance appraisal system
- Improved incentive mechanism

# Actively Fulfilled Corporate Social Responsibility

## Support on Emergency Communications

- Fought against the pandemic by quickly responding to emergency construction tasks
- Provided emergency communications in pandemic areas
- Took quick action to safeguard emergency communications against impact of flooding



▲ Emergency communication constructions in Wuhan



▲ Safeguarded telecommunications during flood season in Jiangxi Province

## Poverty Alleviation

- Promoted inclusive telecommunication service together with TSPs to alleviate poverty
- Improved telecommunications infrastructure in impoverished areas



▲ Construction of base stations in impoverished areas



▲ Telecommunications infrastructure in Xuanya village of Liangshan

## Green Economy Development

- Promoted the echelon use of traction batteries to achieve energy saving and emission reduction
- Coordinated the utilization of social resources for 5G construction and conserved social resources
- .....



▲ Sharing of electricity towers



▲ The echelon use of traction batteries

# Outlook

*At a development stage with strategic opportunities*

## Ample space for development

**"New technologies, new industries, new business types and models" are leading the upgrade and transformation**

- **New technologies and new businesses are emerging:** Internet of Things, big data, cloud computing, new energy technologies...
- **Digital transformation is integrating into multiple industries:** application of information technology is accelerating its penetration into all aspects of society. The market demand for industrial digitalization is vigorous and has huge business potential
- **The new 5G infrastructure construction is accelerating:** it will drive expansion to the scale of tower sites and promote resources sharing, which will build an important cornerstone for "Internet of Everything"

## Leveraging capability advantages



**Actively promote market expansion and accelerate the development on economies of scale**

## “Leverage core competencies to develop the company” into a growth and value creation enterprise

- Adhere to the "One Core and Two Wings" strategy while focusing on efficiency and innovation
- Promote market-oriented strategy and speed up transformation and upgrade to achieve high-quality development

**Promote strategy-oriented development**

- Drive transformation of construction models to provide high-quality service in a cost-effective and efficient way
- Boost upgrading of products and services to better cope with customers' differentiated needs

**Deepen transformation**

- Further innovation in technology and management to strengthen core corporate competencies
- Encourage innovation in both system and processes to boost corporate vitality

**Drive development with innovation**

- Develop platform operation capabilities proactively to empower the development of Two Wings business
- Enhance collaborative and sharing capabilities to consolidate competitive advantages

**Forge core capabilities**

# Outlook

*Promote high-quality development in 2020*

## Maintain steady revenue growth

- One Core business to maintain steady and sustainable growth
- Two Wings business to achieve fast growth

## Profit growth higher than revenue growth

- Gradual increase in operating profit
- Sustained net profit growth

## Continue to improve profitability

- EBITDA continues to grow
- Maintain stable EBITDA margin

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# Operational Performance

Mr Gu Xiaomin

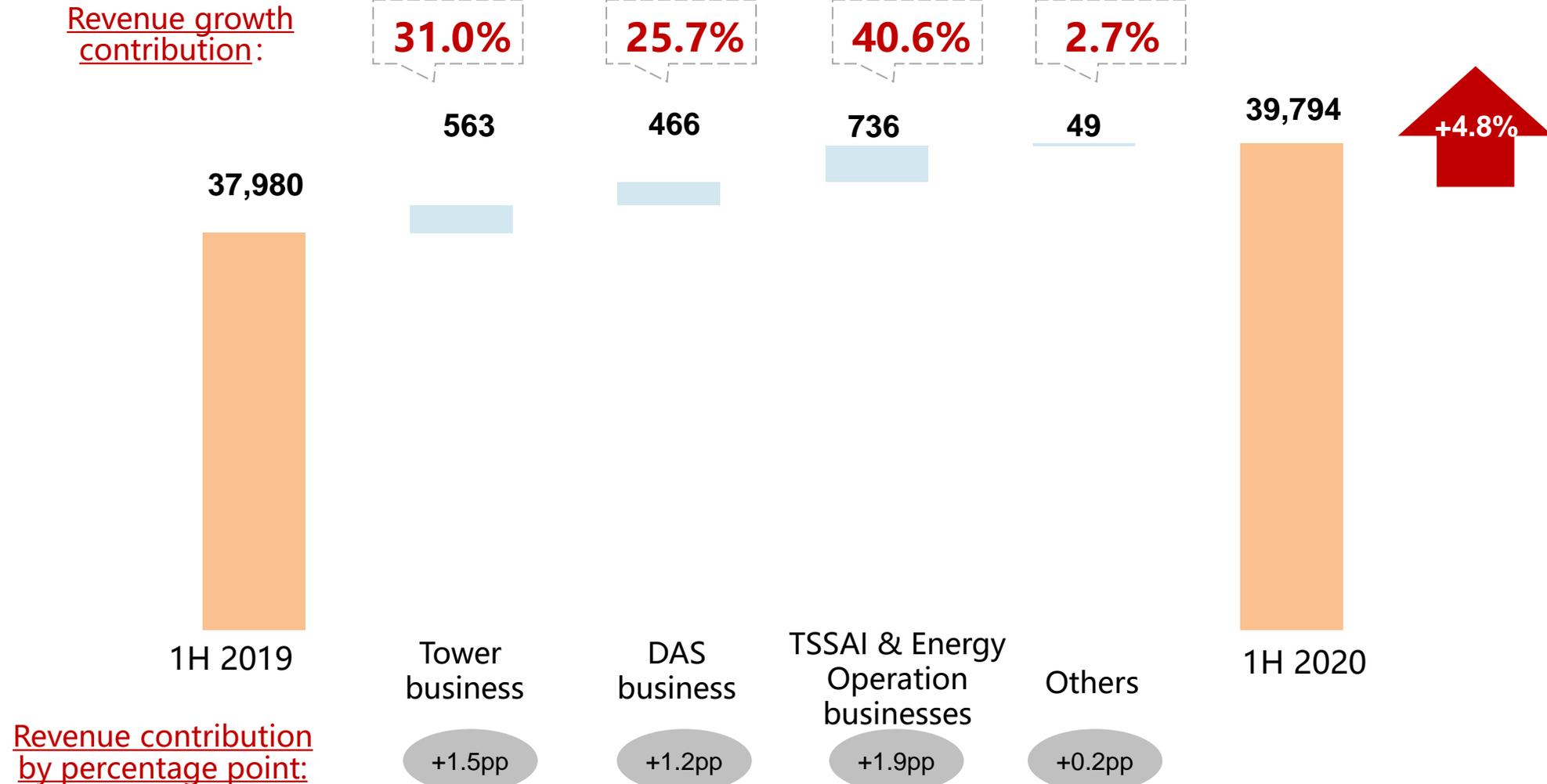
Executive Director and General Manager

# Key Operational Indicators

Indicators	1H 2019	1H 2020	Change
<b>Operating revenue (RMB million)</b>	<b>37,980</b>	<b>39,794</b>	<b>4.8%</b>
Tower business	35,808	36,371	1.6%
DAS business	1,254	1,720	37.2%
TSSAI & Energy Operation businesses	843	1,579	87.3%
<b>Number of tower tenants (thousand)</b>	<b>3,082</b>	<b>3,313</b>	<b>7.5%</b>
TSP tenants	2,931	3,124	6.6%
TSSAI tenants	151	189	25.2%
<b>Number of tower sites (thousand)</b>	<b>1,954</b>	<b>2,015</b>	<b>3.1%</b>
<b>Tower tenancy ratio (tower tenants / tower sites)</b>	<b>1.58</b>	<b>1.64</b>	<b>3.8%</b>

# Incrementally Developed Multi-business to Support Revenue Growth

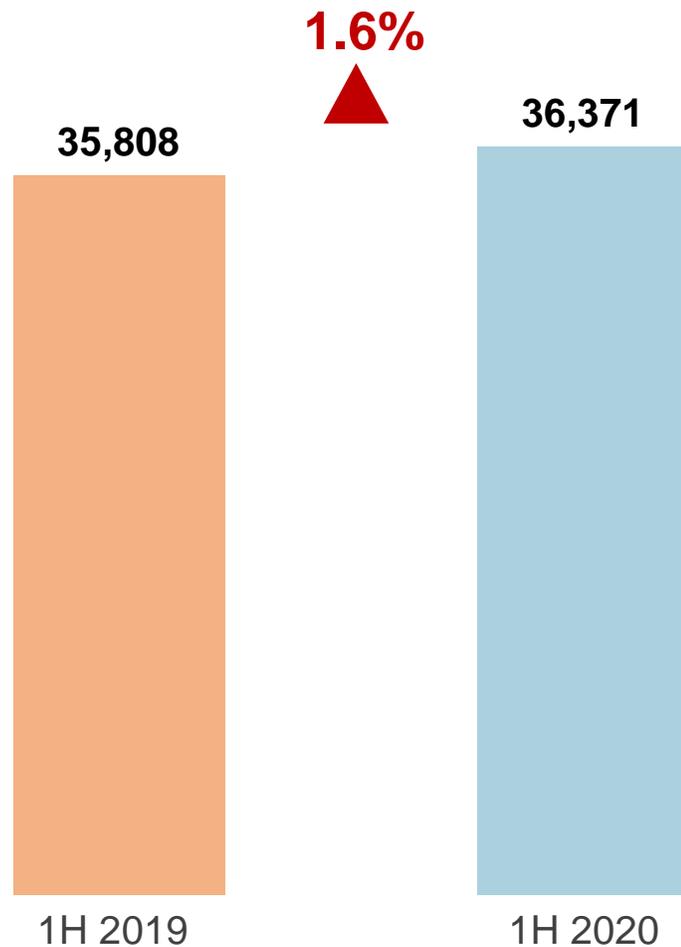
(RMB million)



# Further Resource Sharing Promoted Stable Growth of Tower Business

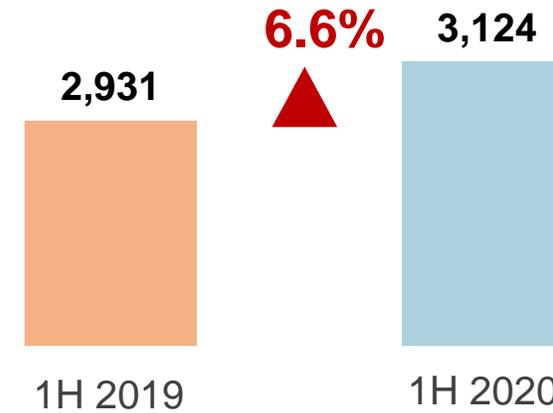
## Operating revenue of tower business

(RMB million)



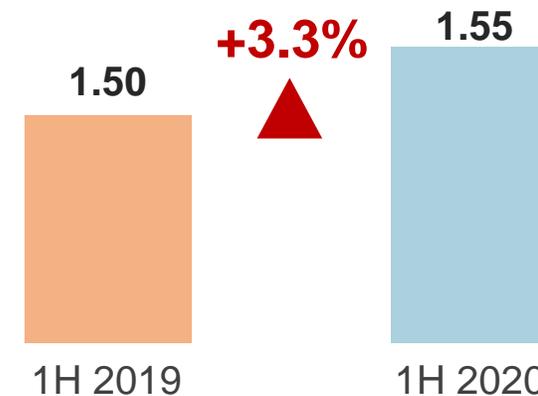
## TSP tenants

(thousand)



## TSP tenancy ratio

(tower tenants / tower sites)



# Innovation-driven 5G construction

## Innovative construction and service model for 5G development

- Meticulously carried out the transformation of towers and masts and improved the sharing of self-owned resources
- Advanced 5G construction through integrated coverage solutions while utilizing internal and external resources



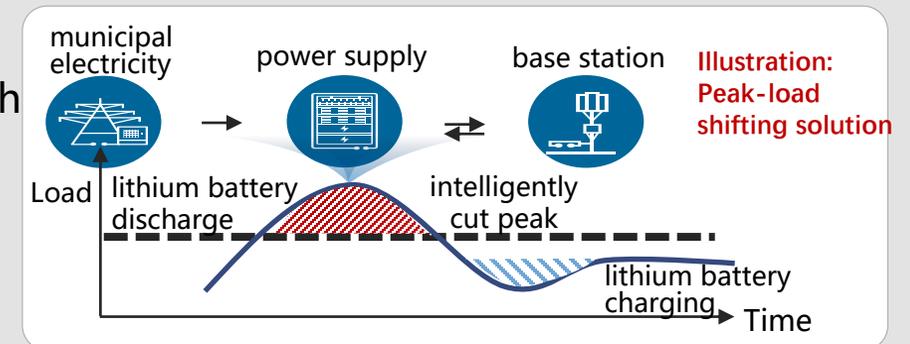
## Innovative sharing solutions for 5G DAS

- Launched 5G passive DAS sharing solutions at lower costs
- Enabled operators access to all frequency bands
- Applied solutions in subway and high-speed railway tunnel 5G projects



## Innovative solutions for 5G power

- Satisfied power demand by peak-load shifting solutions which averaged out municipal electricity with little or even no transformation
- Explored differentiated power backup services and enabled the precise allocation of battery resources
- Built power supply facilities at low costs



# Leveraged Advantages and Drove Rapid Development of DAS Business

## Expanding DAS coverage

- Coordinated resources, emphasized comprehensive services and cost advantages, and implemented customized DAS construction plans
- Enhanced development efficiency of DAS business by intensifying the promotion of key scenarios, leveraging advantages in site co-location, and focusing on both new construction and renovation of existing facilities

Buildings



3,120  
million m<sup>2</sup>

▲ 550 million m<sup>2</sup>

Subways



4,827  
kilometers

▲ 1,457 km

High-speed  
railway tunnels



6,122  
kilometers

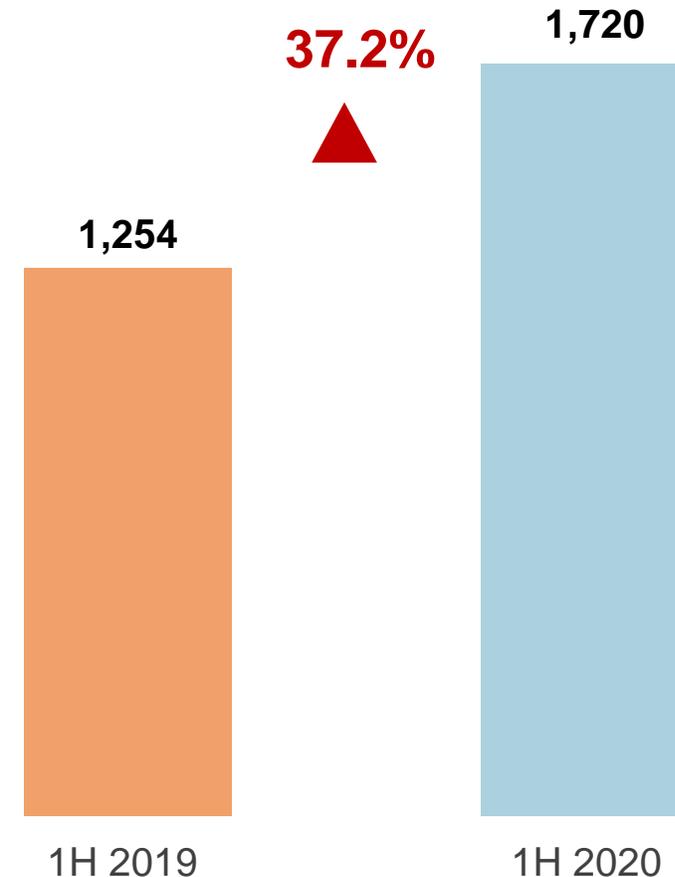
▲ 804 km

Note: Data as of 30 June 2020

▲ Increase in 1H 2020

## Operating revenue of DAS business

(RMB Million)



# Product-led Development Accelerated Growth of TSSAI Business

## Operating revenue of TSSAI business

¥ 1,264 million ▲ 49.9%

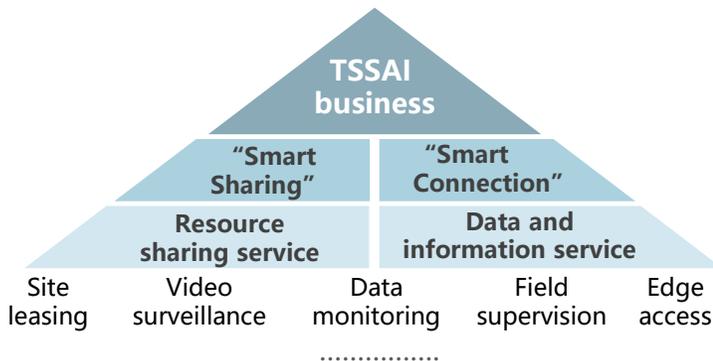
## TSSAI tenants

189 thousand ▲ 25.2%



### Enhanced product innovation

Optimized product system and developed innovative industrial solutions



### Promoted marketing

Large-scale promotion; breakthrough in key sectors; coordination across different levels within the company



Environmental protection and water conservancy      Agriculture and forestry      Transportation      Petroleum      Satellite positioning



### Bolstered win-win cooperation

Aggregated industrial chain, extended external cooperation, and get prepared for future business opportunities



Government customers



Corporate customers

# Focused on Key Sectors and Achieved Effective Breakthroughs in Energy Operation Business



Operating revenue

**¥ 315** million

## Achieved effective launch

- Focused on key sectors and achieved considerable breakthrough in revenue
- Formed 4 core business segments: power backup, power generation, battery exchange and charging

## Enhanced operations management

- Optimized and unified business brand
- Built a unified energy service platform
- Standardized energy product portfolio

## Power backup and generation



**Focused on key sectors and promoted power backup service**



Traffic lights



Banking outlets



Storage of vaccine



Petrol station

## Battery exchange



**Focused on "to C" and "to B" customers, promoted large-scale battery exchange service**

Customers

To B: **43k**

Delivery enterprises...



To C: **110k**

Delivery drivers...



## “ Stable growth, strengthening impetus, superior service, enhance capabilities ”

- 01 > Accelerate sharing and collaborative development to promote steady revenue growth
- 02 > Strengthen products and platform support to enhance new growth engines for Two Wings business
- 03 > Further promote quality-oriented development to improve efficiency and profitability
- 04 > Enhancements to provide well-rounded customer service and improve service perception level
- 05 > Reinforce core competitive competencies and increase operating efficiency

/03

# Financial Performance

Mr Gao Chunlei

Chief Accountant

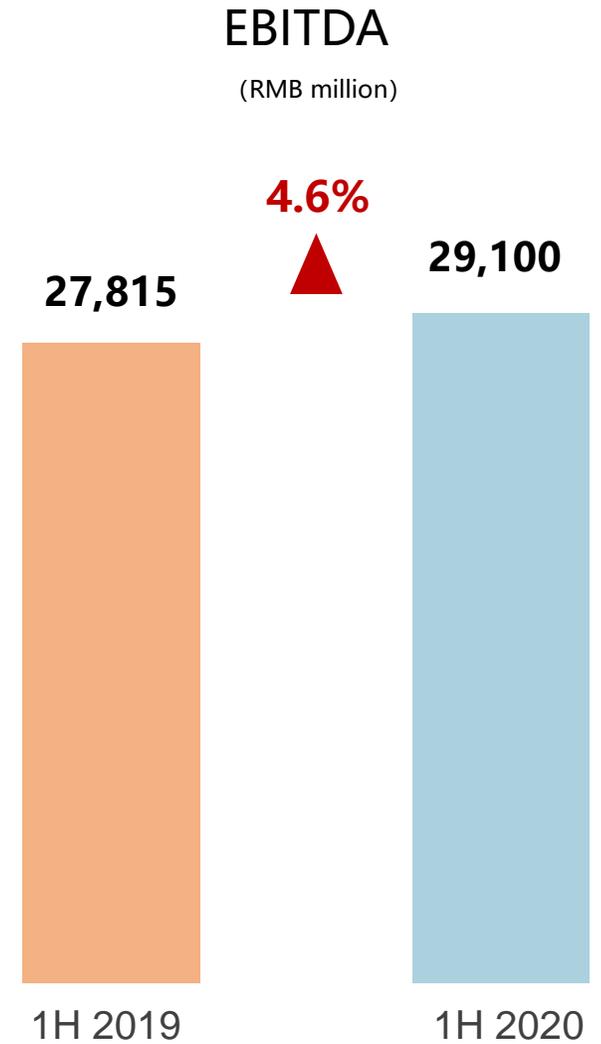
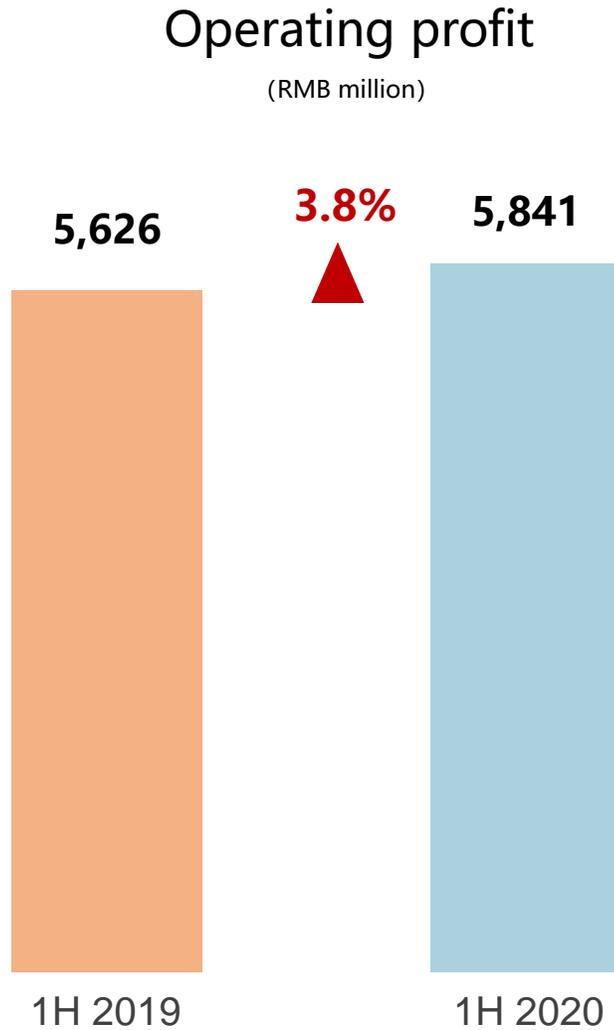
# Key Financial Indicators

(RMB million)	1H2019	1H2020	Change
Operating revenue	37,980	39,794	4.8%
Operating expenses	32,354	33,953	4.9%
Operating profit	5,626	5,841	3.8%
EBITDA	27,815	29,100	4.6%
Net profit	2,548	2,978	16.9%
Operating cash flow	20,798	27,083	30.2%
Gearing ratio	39.4%	37.5%	-1.9pp

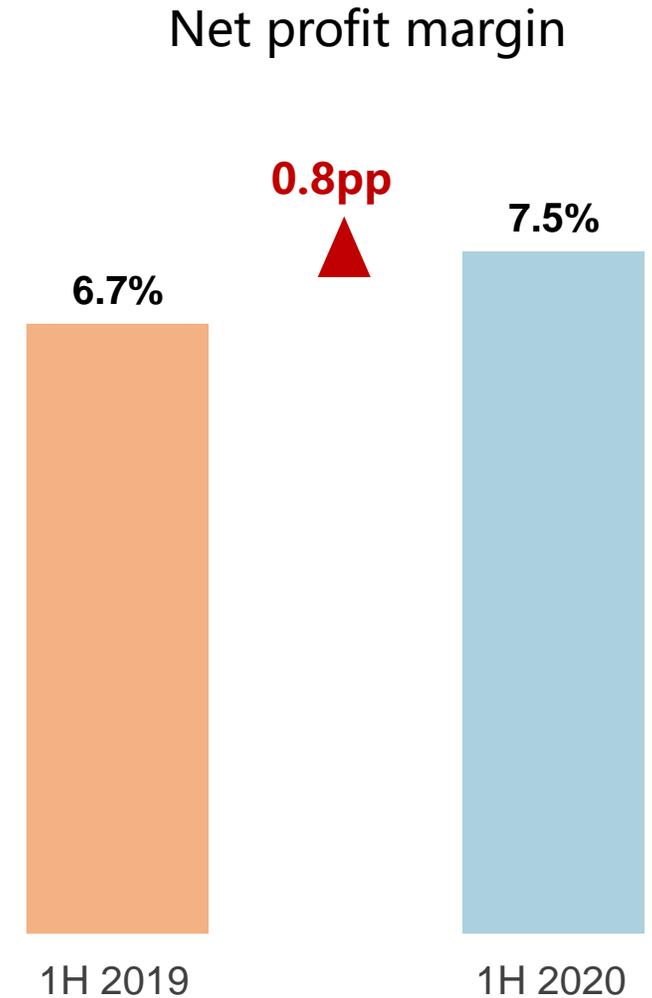
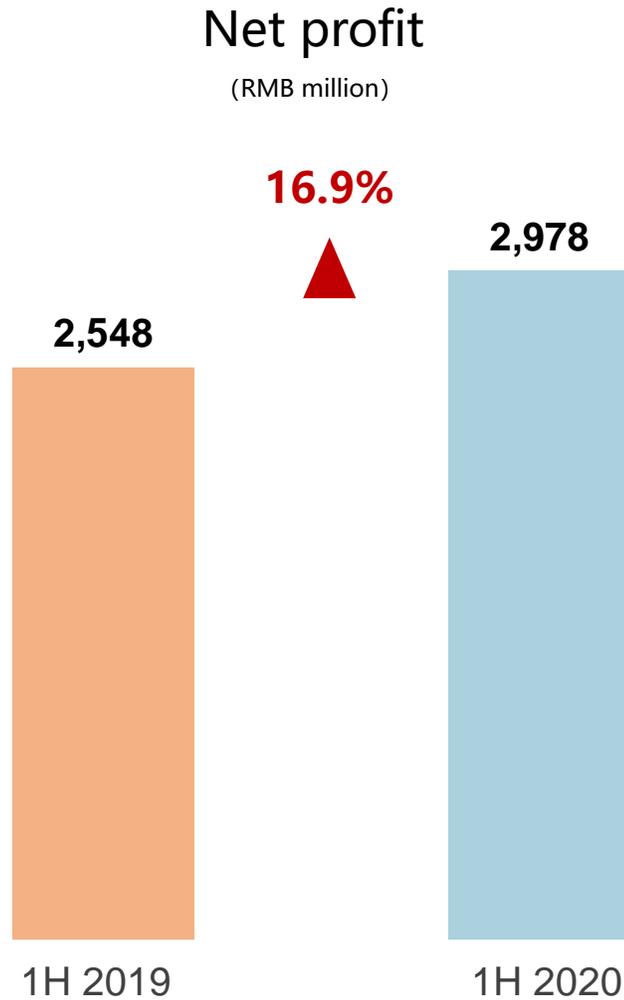
# Delicate Control of Expenses

(RMB million)	1H 2019		1H 2020		Comparable change	Illustration
	Amount	% to operating revenue	Amount	% to operating revenue		
<b>Operating expenses</b>	<b>32,354</b>	<b>85.2%</b>	<b>33,953</b>	<b>85.3%</b>	<b>4.9%</b>	
Depreciation and amortization	22,189	58.4%	23,259	58.5%	4.8%	<ul style="list-style-type: none"> <li>Key factors: 1. increased investment in site renovation to meet demands on 5G construction; 2. growth in number of sites and proportion of sites with long-term leases increased the right-of-use assets under leasing rules</li> </ul>
Repairs and maintenance	3,095	8.1%	3,001	7.5%	-3.0%	<ul style="list-style-type: none"> <li>Benefited from further enhancement on the delicate management of maintenance and repair operations</li> </ul>
Employee benefits and expenses	3,058	8.1%	3,469	8.7%	13.4%	<ul style="list-style-type: none"> <li>Key factors: 1. the recruitment of industry talents to fulfill business development needs in 2H 2019. These costs will be fully reflected in this year's report; 2. the granting of restricted shares under Restricted Share Incentive Scheme to management and key technical personnel</li> </ul>
Other operating expenses	4,012	10.6%	4,224	10.6%	5.3%	<ul style="list-style-type: none"> <li>Increased development expenses on TSSAI &amp; Energy operation businesses resulted from their rapid expansion</li> </ul>
<b>Net finance costs</b>	<b>2,329</b>	<b>6.1%</b>	<b>2,064</b>	<b>5.2%</b>	<b>-11.4%</b>	<ul style="list-style-type: none"> <li>Benefited from the company's active low-cost financing through multiple channels, maintaining capital management efficiency, and controlling financing costs effectively.</li> </ul>

# Strengthened Profitability



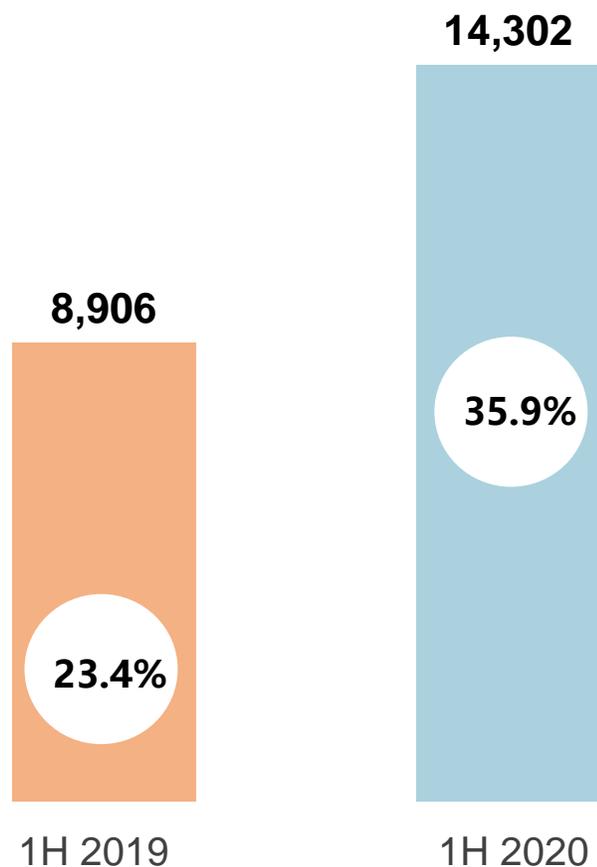
# Strengthened Profitability (Cont)



# Proactive and Effective Capex Control

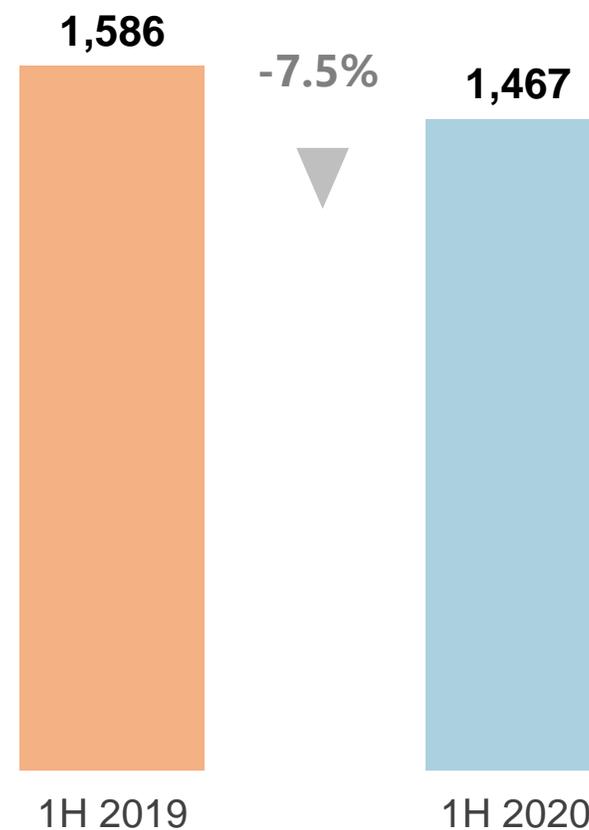
## Capex and Capex to operating revenue

(RMB million)

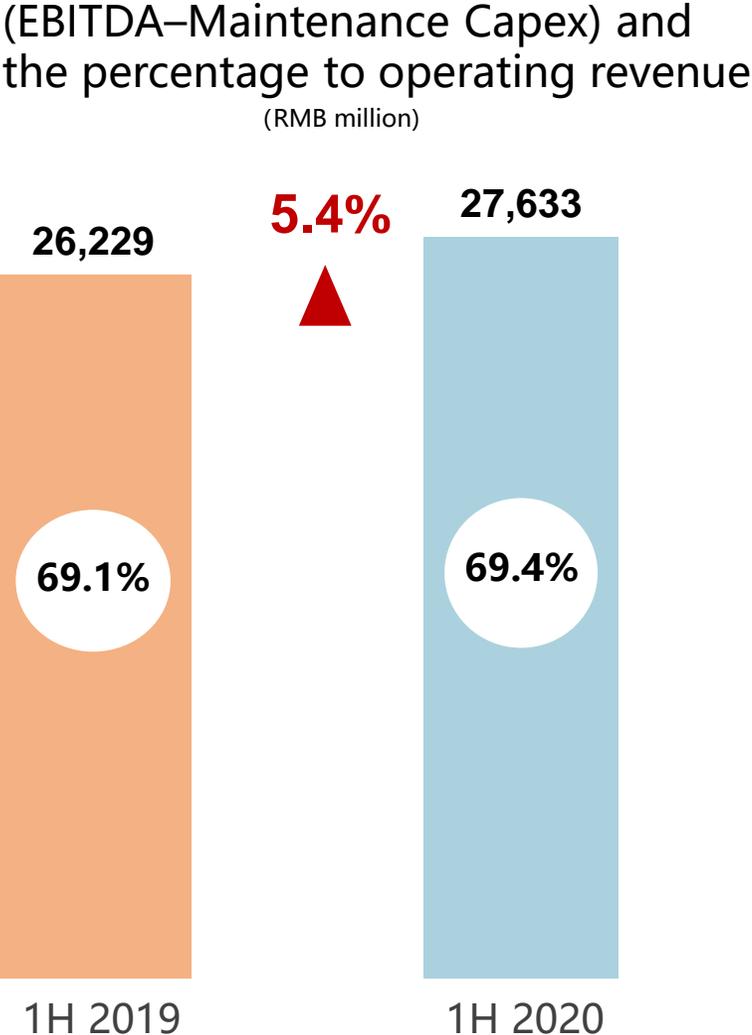
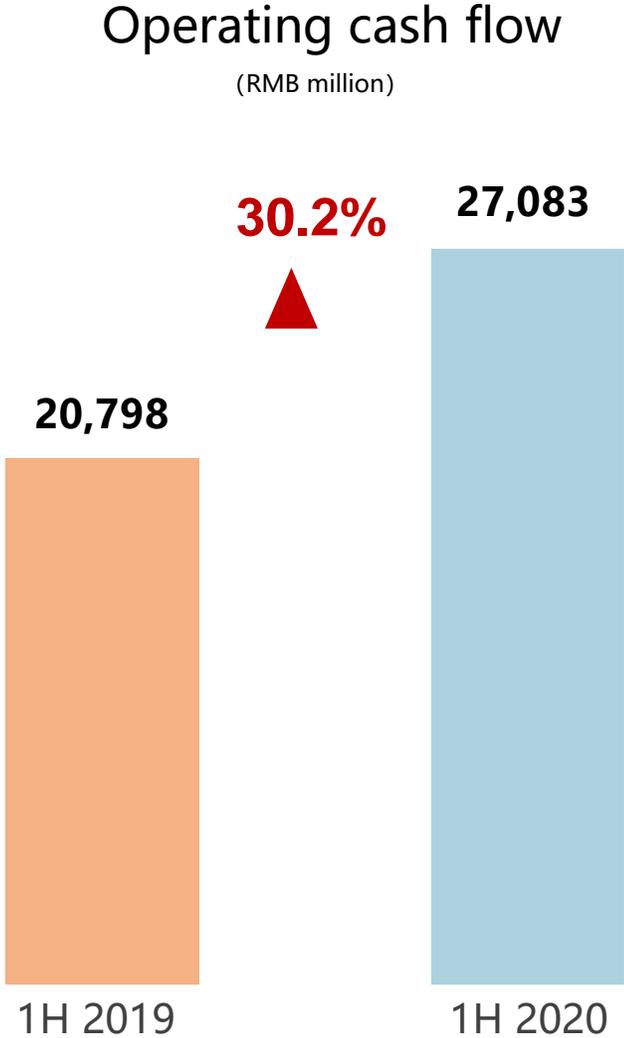


## Maintenance Capex

(RMB million)



# Cash Flow Remained Healthy

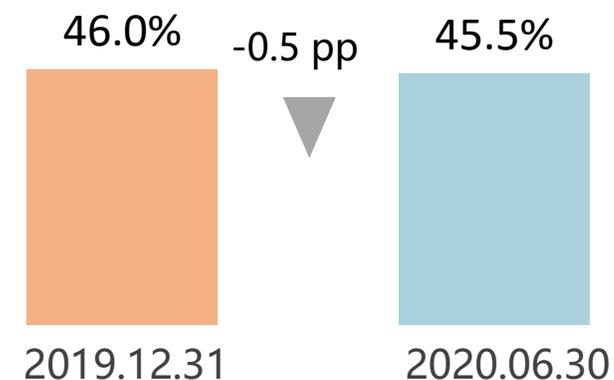


# Solid Capital Structure

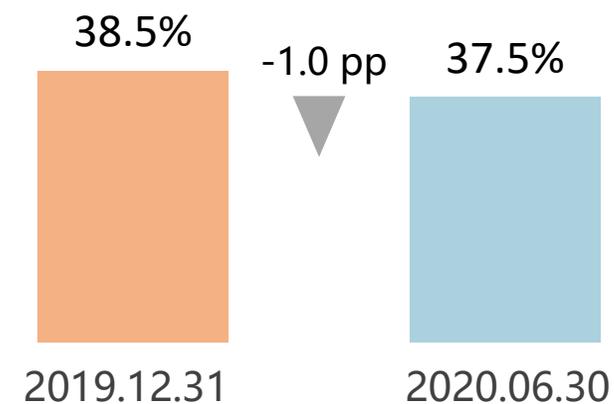
(RMB million) 2020.06.30

<b>Assets</b>	<b>335,429</b>
Cash and cash equivalents	<b>4,380</b>
<b>Liabilities</b>	<b>152,486</b>
Interest-bearing debt	<b>113,949</b>
<b>Total equity</b>	<b>182,943</b>

Liability-to-asset ratio



Gearing ratio





# Q&A

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# Appendix: Extracted from Unaudited Interim Condensed Consolidated Balance Sheet as at 30 June 2020

(RMB million)	2019.12.31	2020.06.30
<b>Total Assets</b>	<b>338,067</b>	<b>335,429</b>
Current assets	40,995	44,404
Non-current assets	297,072	291,025
<i>Property, plant and equipment</i>	239,925	233,685
<i>Construction in progress</i>	12,263	14,324
<b>Total Liabilities</b>	<b>155,506</b>	<b>152,486</b>
Current liabilities	128,364	121,675
<i>Borrowings</i>	87,019	76,893
<i>Accounts payable</i>	29,313	31,525
Non-current liabilities	27,142	30,811
<b>Total Equity</b>	<b>182,561</b>	<b>182,943</b>

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