

SmarTone Telecommunications Holdings Ltd.

FY11 Annual Results Presentation
For the year ended 30 June 2011

Douglas Li
CEO

31 August 2011

Agenda

- Results highlights
- Financial review
- Operational review – Hong Kong
- Outlook
- Q&A

Results highlights

Key highlights

- Total revenue increased 68%
- Service revenue growth of 33%, driven by increase in both customer number & ARPU
- Data revenue increased 81%
- EBITDA increased 80%
- Net profit of \$754m – 2.5 times last year's
- Proposed final dividend of \$0.42 per share, making full year dividend of \$0.73, at 100% payout ratio

Financial highlights

(\$m)	FY09		FY10		FY11
Total revenue	3,703	↑ 7%	3,957	↑ 68%	6,631
Service revenue	3,255	↑ 6%	3,452	↑ 33%	4,603
EBITDA	891	↑ 33%	1,182	↑ 80%	2,131
EBIT	116	↑ 184%	328	↑ 195%	967
Net profit	42	↑ 592%	294	↑ 157%	754

Strong growth in revenue & profits

Dividends

(\$)	FY10 *	FY11
Interim DPS	0.085	0.310
Final DPS	0.175	0.420
Total DPS	0.260	0.730

- Final DPS of \$0.42
- Continuing full payout of net profit

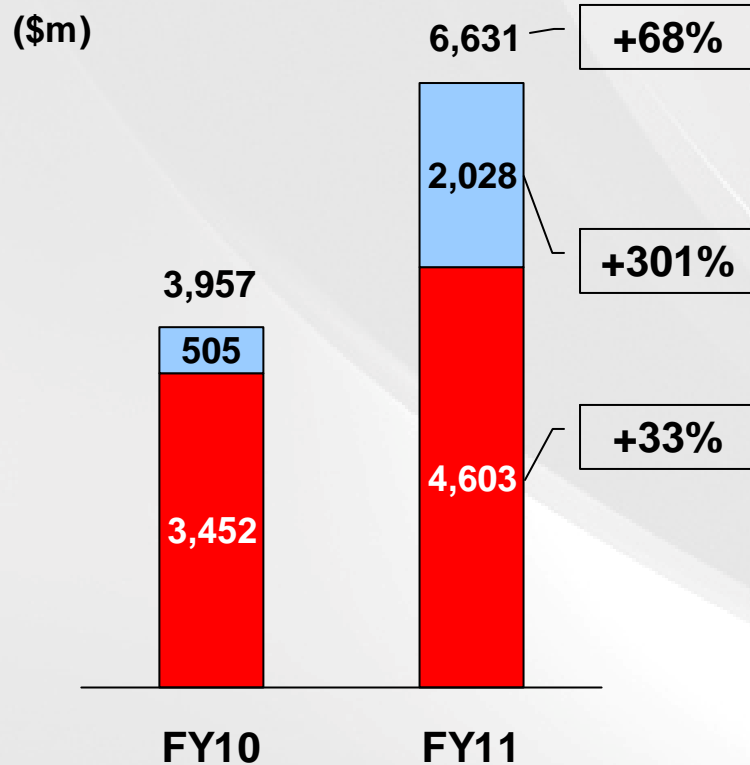
* *DPS is stated after the effect of the Bonus Issue retrospectively.*

Financial review

Financial results

(\$m)	FY10	FY11
Revenues	3,957	6,631
Cost of inventories sold & services provided	(1,056)	(2,500)
Gross profit	2,901	4,131
OPEX	(1,719)	(2,000)
EBITDA	1,182	2,131
Depreciation, amortisation & disposal loss	(803)	(1,164)
Accelerated depreciation & impairment loss	(51)	-
EBIT	328	967
Net finance costs	(53)	(66)
Profit before income tax	275	901
Income tax	(41)	(136)
Deferred income tax credit	61	-
Non-controlling interests	(1)	(11)
Net profit	294	754

Revenues



- Service revenue ↑ 33%
 - Customer no. ↑ 17%
 - ARPU ↑ 15%
- Strong growth in consumer segment & data

■ Handset & accessory sales
■ Service revenue

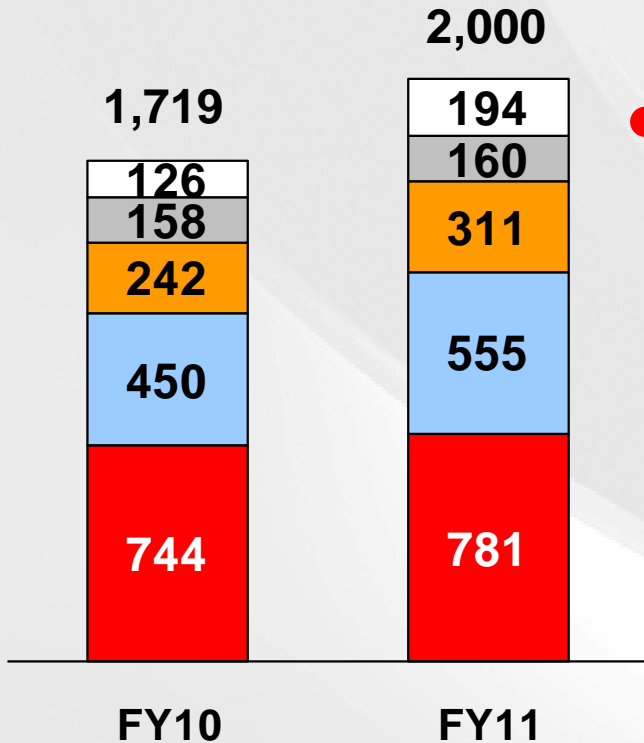
Cost of inventories sold & services provided

(\$m)	FY10	FY11
Cost of services provided	(560)	(594)
Cost of inventories sold		
Before handset subsidy capitalisation	(1,002)	(3,205)
Handset subsidy capitalisation	506	1,299
	(496)	(1,906)
Total	(1,056)	(2,500)

- Cost of services provided ↑ 6%
- Higher handset subsidies due to more acquisitions through handset bundled plans

OPEX

(\$m)



● OPEX ↑ 16%

- Lower than % customer growth
- Supporting higher business volume
- Further enhancing service quality

■ Network ■ Staff
■ Sales & marketing ■ Rental & utilities
□ Others

Depreciation & amortisation

(\$m)	FY10	FY11
Depreciation & disposal loss	(453)	(474)
Amortisation of licence fee	(67)	(77)
Handset subsidy amortisation	(284)	(613)
	(803)	(1,164)
Accelerated depreciation & impairment loss	(51)	-
Total	(855)	(1,164)

- Fixed asset depreciation ↑ 5%
- Amortisation of licence fee ↑ 14%
 - Retaining 1800 MHz spectrum for re-farming to implement LTE
- Higher handset subsidies due to increased acquisitions through handset bundled plans

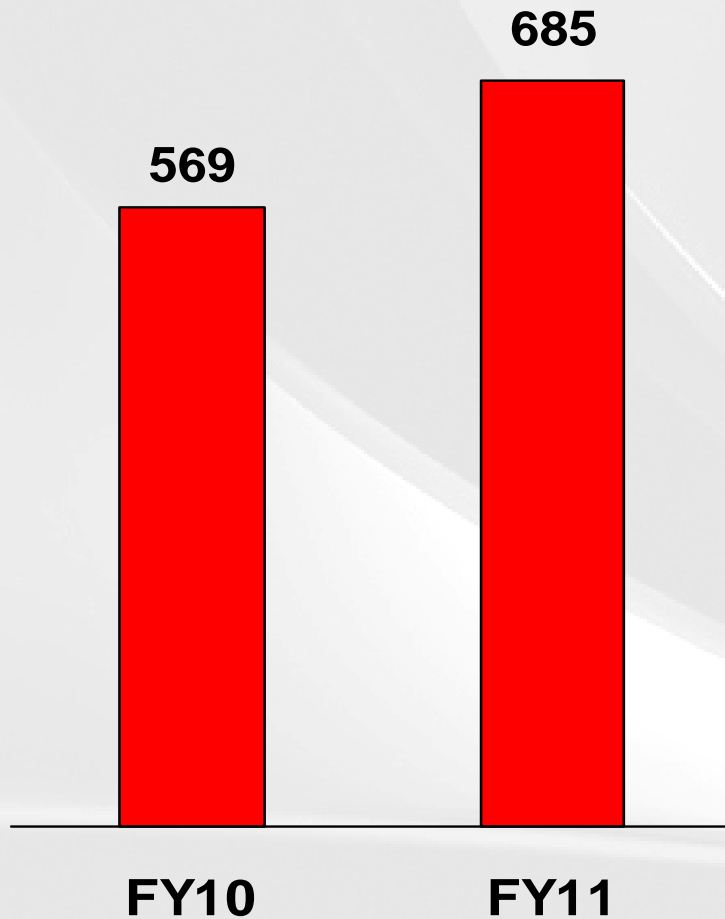
Net finance costs

(\$m)	FY10	FY11
Finance income	34	32
Finance costs (bank borrowing)	-	(1)
Finance costs (deemed finance charge)		
Spectrum utilisation fee	(84)	(95)
asset retirement obligations	(3)	(2)
Total	(53)	(66)

- Finance income ↓ 4%
 - Lower interest rates
 - Lower cash level after acquisition of new 850MHz spectrum
- Deemed finance charge for SUF ↑ 13%
 - Retaining 1800 MHz spectrum for re-farming to implement LTE

CAPEX

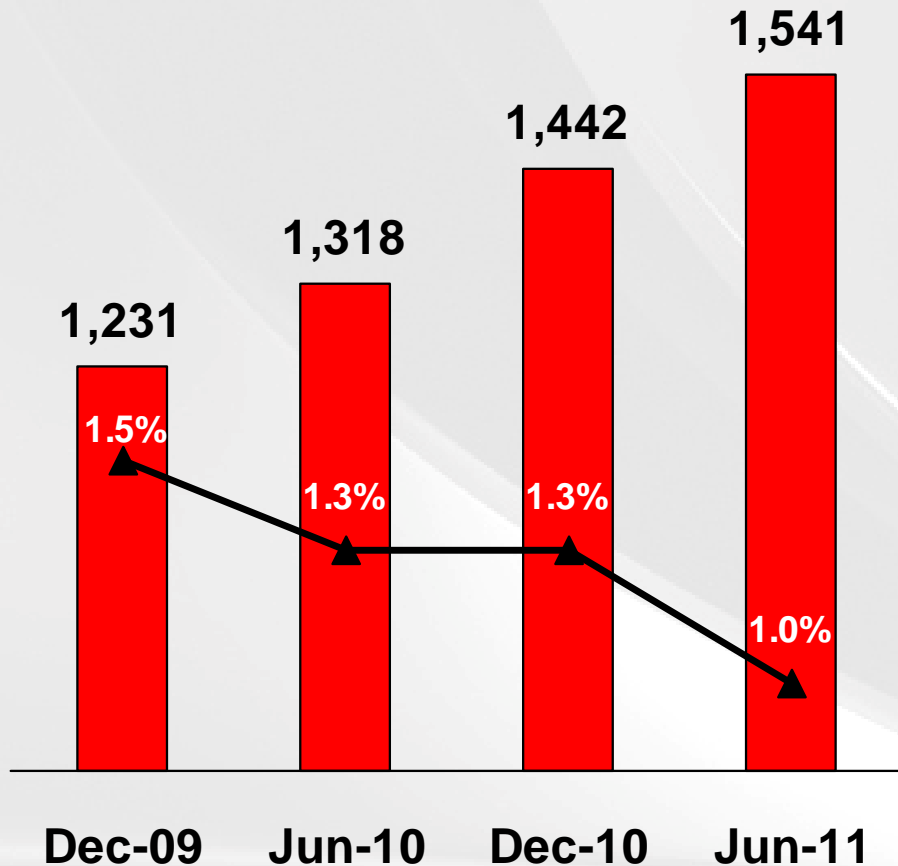
(\$m)



- Continuing expansion of capacity
- Upgrading to a new generation of multi-mode multi-band base stations for operational efficiency and LTE ready

Operational review – Hong Kong

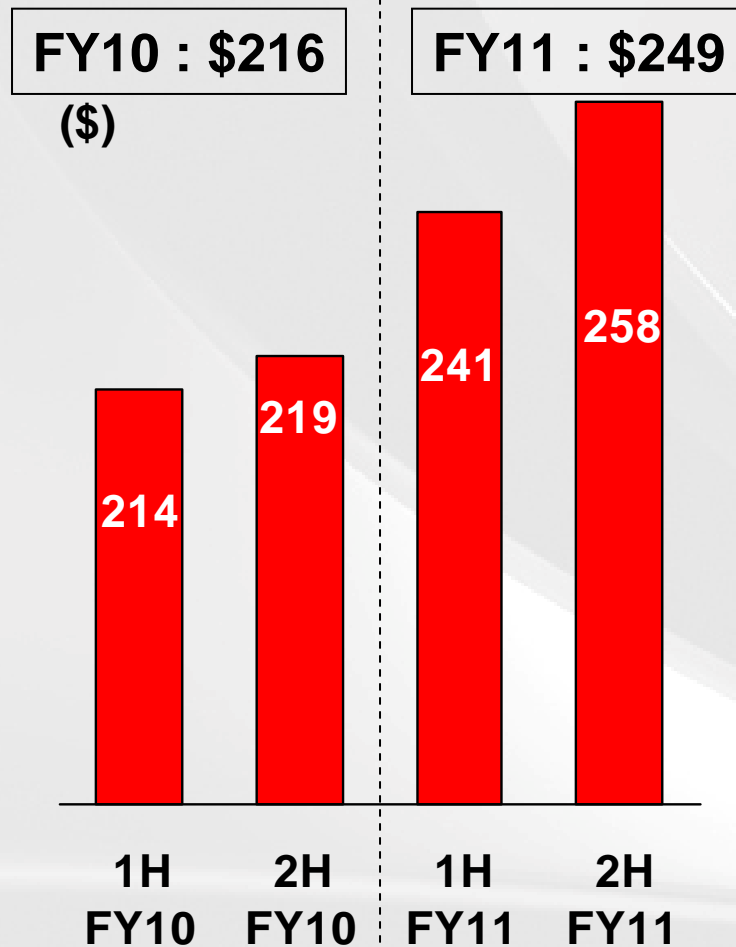
Customer base



■ Customer no. (000') - period end
▲ Postpaid churn rate - period average

- Up 17% YoY to over 1.5 million
- Postpaid churn rate improved to 1.0%
- Postpaid stands at 71% of customer base, highest in the market

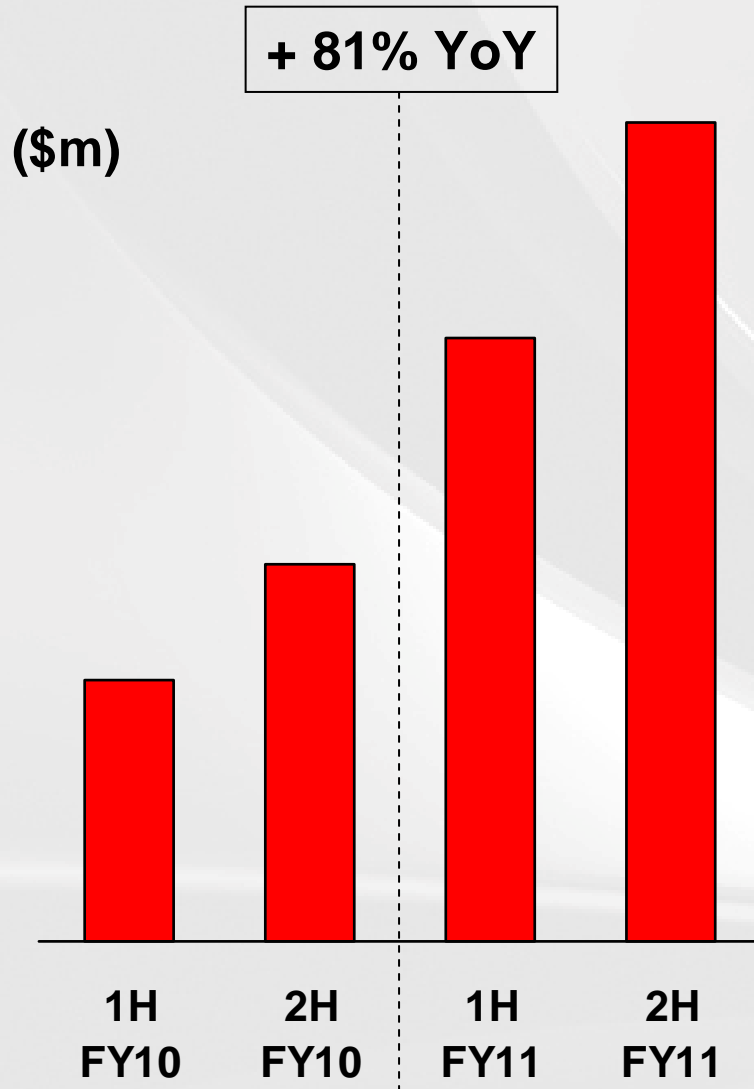
Fully blended ARPUs *



- ↑ 15% YoY, ↑ 7% HoH
- Growth momentum continues
- Substantially outperforming the market

* Fully blended ARPUs = service revenue / total no. of SIMs in issue
(SIMs in issue cover mobile & wireless fixed; postpaid & prepaid; 2G & 3G)

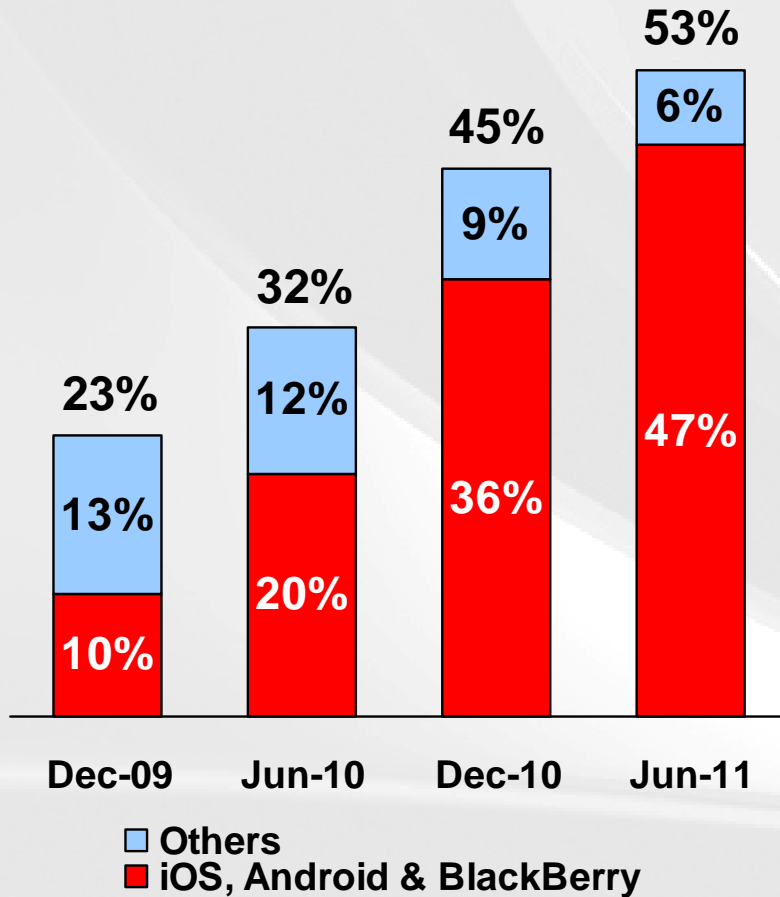
Data revenue growth



- Up 81%
- Adoption of data services & smart devices
- 49% of service revenue

Smart device* penetration

(as % of HK postpaid customers)



- Increasing adoption of smart devices
- Smart devices accounted for 89% of all units sold in FY11

* Based on GFK definition

Outlook

Strong operating cashflow & balance sheet

- Strong operating cashflow with ample cash resources for CAPEX & dividend
- Robust balance sheet with net cash of \$1.1b
- FY11/12 CAPEX guidance of \$700m

Outlook

- Proliferation of smart devices continues to provide opportunities for showing up material differences in networks' user experience
- Cautiously optimistic for continuing out-performance
 - Innovating and delivering unbeatable and more valuable experiences for customers
 - Superior network performance, proprietary services and unrivalled customer care
 - Operational effectiveness and efficiency

Q & A

Appendix

Group P&L

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Accelerated depreciation & impairment loss	(51)	-
EBIT	328	967
Net finance costs	(53)	(66)
Profit before income tax	275	901
Income tax expense	(41)	(136)
Deferred income tax credit	61	-
Profit after income tax	295	765
Non-controlling interests	(1)	(11)
Net profit	294	754

Group Balance Sheet

(\$m)	Jun 10	Jun 11
Fixed assets	1,911	2,110
Intangible assets	892	2,521
Other non-current assets (excl. debt securities)	144	106
Cash, bank balance & debt securities ⁽¹⁾	1,441	1,653
Other current assets	452	847
Bank borrowings ⁽¹⁾	-	(550)
Customer prepayments and deposits	(323)	(1,007)
Other current liabilities	(987)	(1,773)
Other non-current liabilities	(769)	(998)
Net assets	2,762	2,909
Share capital	53	103
Reserves	2,674	2,760
Total equity attributable to equity holders	2,727	2,863
Non-controlling interests	35	46
Total equity	2,762	2,909
⁽¹⁾ <i>Net cash & bank balance</i>	700	1,231
<i>Held-to-maturity debt securities</i>	741	422
<i>Bank Borrowings</i>	-	(550)
<i>Total</i>	1,441	1,103
⁽²⁾ <i>Shares in issue at balance sheet date (million)*</i>	1,051	1,028
⁽³⁾ <i>Net book value per share *</i>	\$2.6	\$2.8

* As restated retrospectively to incorporate the effect of the 1:1 Bonus Issue in FY11.