

SmarTone Telecommunications Holdings Ltd.

FY11 Interim Results Presentation

For the six months ended 31 December 2010

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CEO

23 February 2011

Agenda

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

Results highlights

Key highlights

- Service revenue ↑ 29%, driven by strong growth in both customer number & ARPU
- Margin expansion as costs scale less than revenues
- EBITDA ↑ 78% to \$921m
- Net profit, at \$321m, exceeded FY09/10 full year profit
- Accelerating momentum in the past 3 half-years in raising service revenue, EBITDA and net profit
- Full payout of interim profits - dividend of \$0.62 per share
- Proposed 1 for 1 bonus issue

Financial highlights

(\$m)	1H FY10		2H FY10		1H FY11
Total revenue	1,810	↑ 19%	2,148	↑ 28%	2,759
EBITDA	517	↑ 29%	666	↑ 38%	921
	28.5%		31.0%		33.4%
Service revenue	1,659	↑ 8%	1,793	↑ 20%	2,145
EBITDA (service)	514	↑ 26%	645	↑ 35%	869
	31.0%		36.0%		40.5%
Net profit	111	↑ 64%	183	↑ 76%	321

***Accelerating momentum in raising
Service Revenue, EBITDA & Net Profit***

Margin expansion

Dividends

(\$)	1H FY10	1H FY11
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Interim DPS	0.17	0.62
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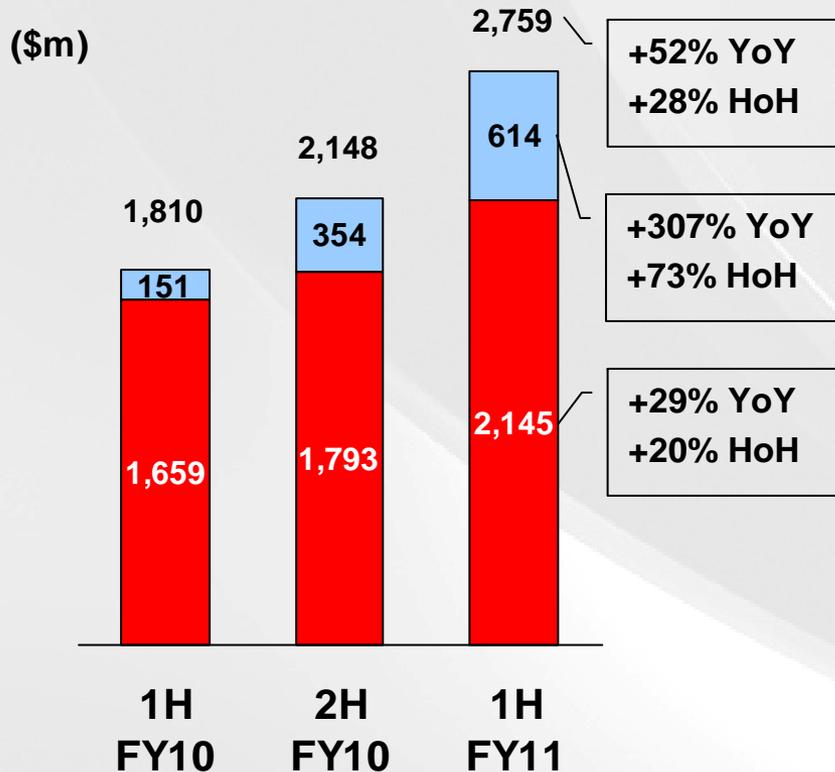
- Interim DPS of \$0.62
- Full payout of interim profits

Financial review

Financial results

(\$m)	1H FY10	2H FY10	1H FY11
Revenues	1,810	2,148	2,759
Cost of inventories sold & services provided	(442)	(614)	(866)
Gross profit	1,367	1,534	1,893
OPEX	(851)	(868)	(972)
EBITDA	517	666	921
Depreciation, amortisation & disposal loss	(378)	(425)	(512)
Accelerated depreciation & impairment loss	(51)	-	-
EBIT	87	240	409
Net finance costs	(27)	(25)	(28)
Profit before income tax	60	215	381
Income tax	(15)	(26)	(57)
Deferred income tax credit	61	-	-
Non-controlling interests	5	(6)	(4)
Net profit	111	183	321
EBITDA margin	28.5%	31.0%	33.4%
EBIT margin	4.8%	11.2%	14.8%

Revenues



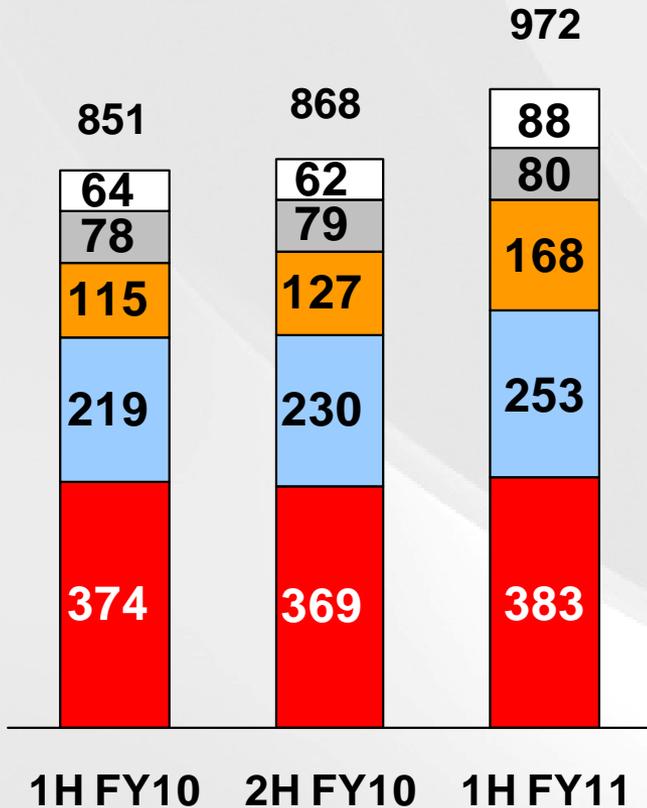
- Service revenue ↑ 29%
 - Customer no. ↑ 17%
 - ARPU ↑ 12%
- Growth from all business lines
 - HK mobile
 - HK wireless fixed
 - Macau

Cost of inventories sold & services provided

(\$m)	1H FY10	2H FY10	1H FY11
Cost of services provided	(288)	(273)	(297)
Cost of goods sold			
Before handset subsidy capitalisation	(285)	(717)	(1,273)
Handset subsidy capitalisation	130	376	703
	(154)	(341)	(569)
Total	(442)	(614)	(866)

- Cost of services provided increased modestly by 3%
- Increased handset subsidies due to increased acquisitions through handset bundled plans

OPEX



- OPEX ↑ 14%

- Scales less than revenue
- Supports higher business volume

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

Depreciation & amortisation

(\$m)	1H FY10	2H FY10	1H FY11
Depreciation & disposal loss	(221)	(231)	(234)
Amortisation of licence fee	(34)	(34)	(36)
Handset subsidy amortisation	(123)	(161)	(242)
	(378)	(425)	(512)
Accelerated depreciation & impairment loss	(51)	-	-
Total	(429)	(425)	(512)

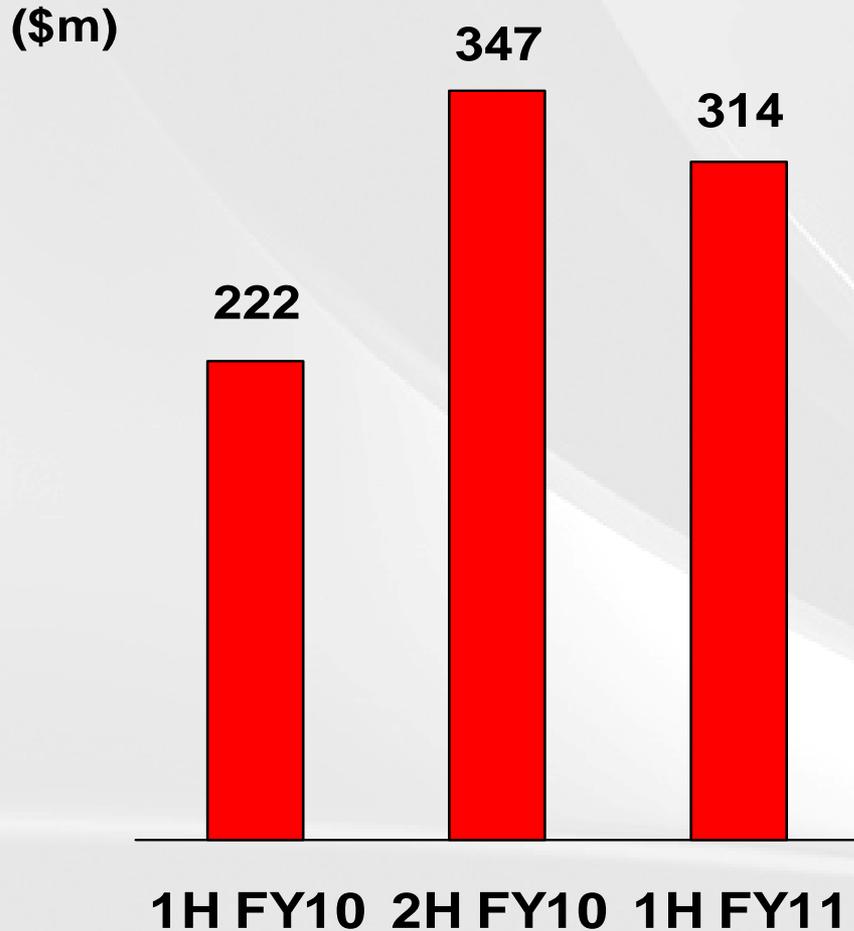
- Fixed asset depreciation ↑ 5%
- Increased handset subsidies due to increased acquisitions through handset bundled plans
- Handset subsidies covered by either full prepayment or credit insurance

Net finance costs

(\$m)	1H FY10	2H FY09	1H FY10
Finance income	16	18	18
Finance costs (deemed finance charges)			
Spectrum utilisation fee	(42)	(42)	(44)
asset retirement obligations	(1)	(1)	(1)
Total	(27)	(25)	(28)

- Finance income ↑12%
- Deemed finance charges for SUF ↑ 6%
 - Decision not to return spectrums

CAPEX

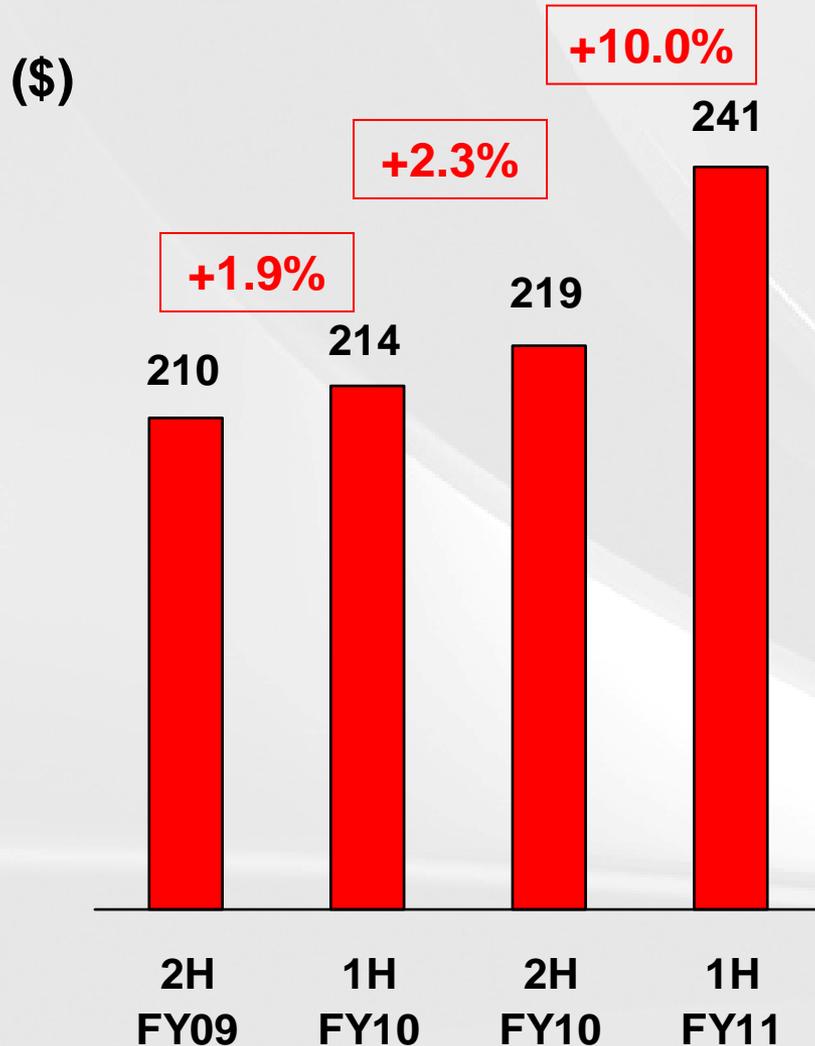


- Rapidly adding capacity, anticipating growth
- Upgrading to new generation base stations

Note: 2H FY10 figure included Macau 3G/HSPA CAPEX

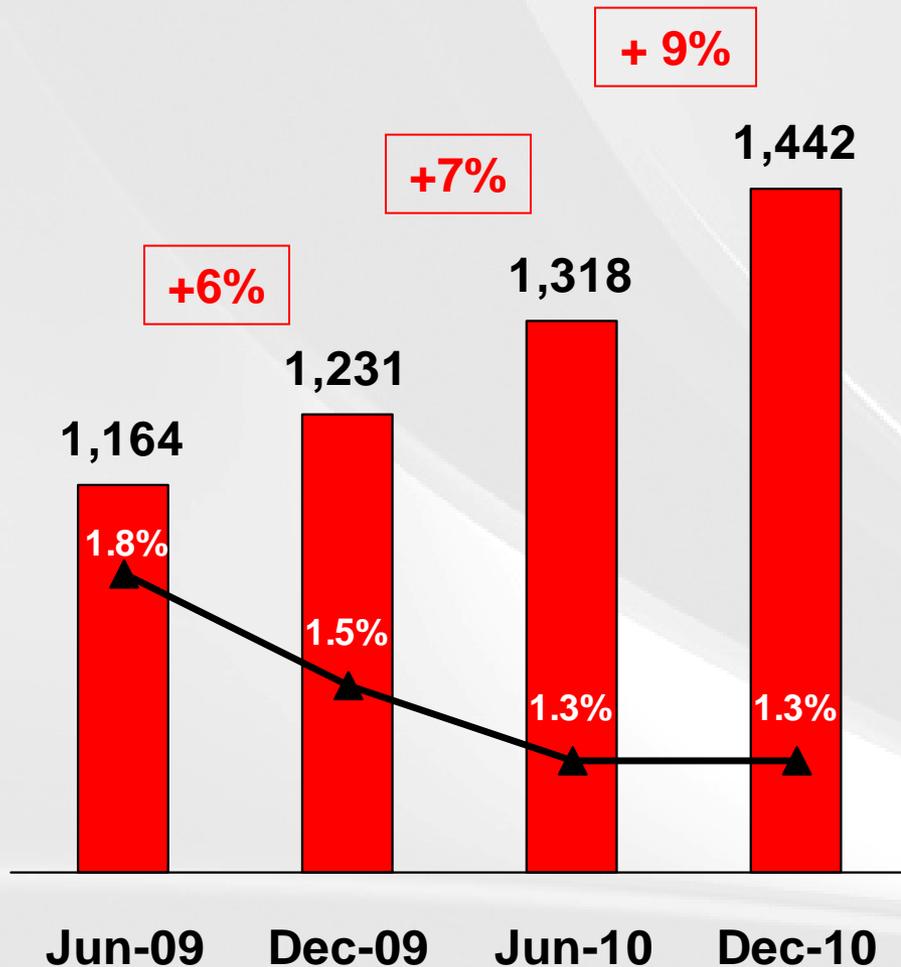
Operational review – Hong Kong

Blended ARPU



- Accelerating momentum in rising ARPU
 - Blended ARPU
↑ 12% YoY, ↑ 10% HoH
 - Postpaid mobile ARPU
↑ 16% YoY, ↑ 13% HoH

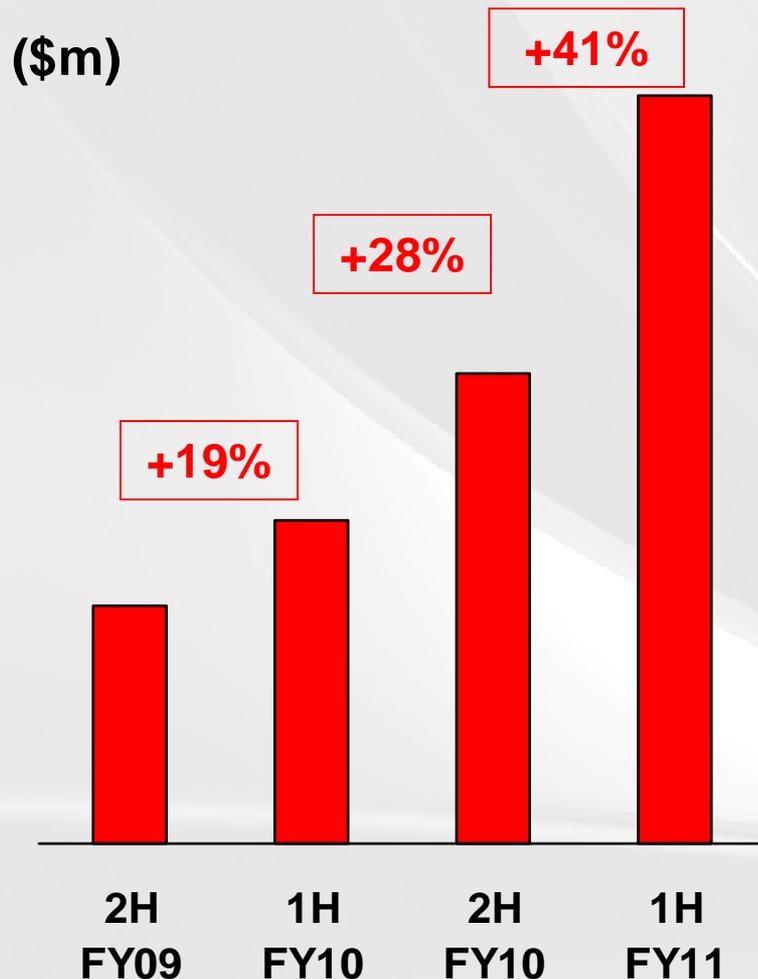
Customer base



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

- Up 17% to over 1.44 million
- Gain in both mobile & fixed
- Postpaid churn rate stable at 1.3%

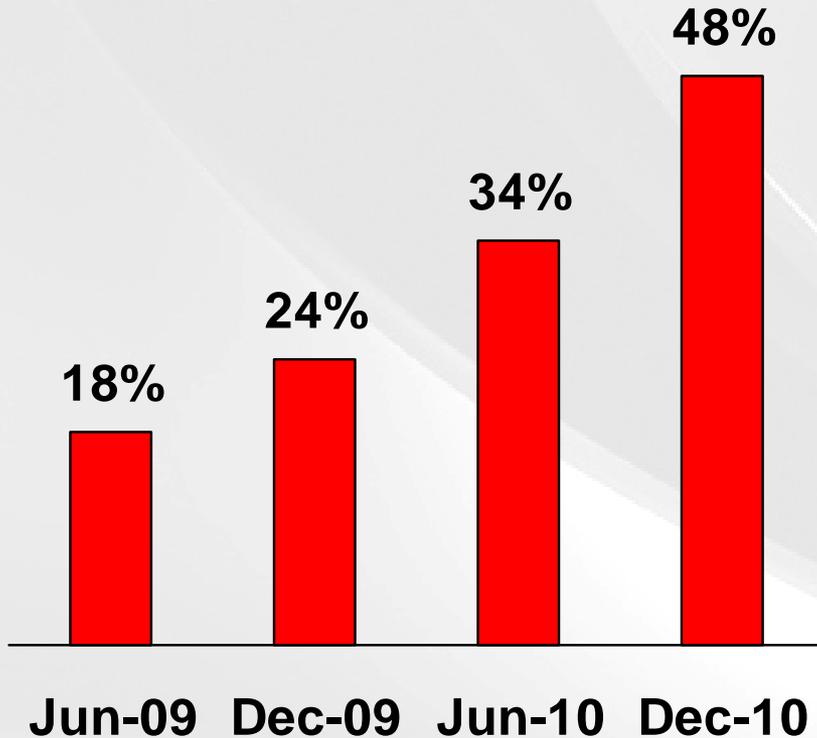
Data revenue growth



- Accelerating growth
 - ↑ 81% YoY
- Growth from
 - Smartphones
 - Mobile broadband (incl. tablet computers)
 - Wireless fixed
- 46% of service revenue

Smart device penetration

(as % of postpaid customers)



- Accelerating momentum in smart device adoption
- Three platforms* accounted for 85% - 90% of device sales in 1H FY11

* *Android, BlackBerry & iOS*

Outlook

Outlook

- Our long-held strategy in providing unbeatable and more valuable experiences is gaining customer & market recognition
- Increasing our competitiveness and appeal through innovation, quality and operational excellence
- Increasing adoption of smart devices and data-driven services & applications
- Increasing investment to anticipate growth
- Maintaining a robust balance sheet
- CAPEX guidance for FY10/11 is \$650m - \$700m

Q & A

Appendix

Group P&L

(\$m)	1H FY10	2H FY10	1H FY11
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Accelerated depreciation & impairment loss	(51)	-	-
EBIT	87	240	409
Net finance costs	(27)	(25)	(28)
Profit before income tax	60	215	381
Income tax expense	(15)	(26)	(57)
Deferred income tax credit	61	-	-
Profit after income tax	106	189	324
Non-controlling interests	5	(6)	(4)
Net profit	111	183	321

Group Balance Sheet

(\$m)	Jun 10	Dec 10
Fixed assets	1,911	1,992
Intangible assets	892	1,469
Other non-current assets (excl. debt securities)	144	139
Cash, bank balance & debt securities ⁽¹⁾	1,441	1,576
Other current assets	452	571
Customer prepayments and deposits	(323)	(773)
Other current liabilities	(987)	(1,340)
Other non-current liabilities	(769)	(897)
Net assets	2,762	2,738
Share capital	53	51
Reserves	2,674	2,648
Total equity attributable to equity holders	2,727	2,699
Non-controlling interests	35	39
Total equity	2,762	2,738
<i>(1) Cash & bank balance</i>	<i>700</i>	<i>915</i>
<i>Held-to-maturity debt securities</i>	<i>741</i>	<i>662</i>
<i>Total</i>	<i>1,441</i>	<i>1,576</i>
<i>(2) Shares in issue at balance sheet date (million)</i>	<i>526</i>	<i>509</i>
<i>(3) Net book value per share</i>	<i>\$5.2</i>	<i>\$5.3</i>

Financial ratios & operating indicators

	1H FY10	2H FY10	1H FY11
Financial ratios			
EBITDA margin	28.5%	31.0%	33.4%
EBIT margin	4.8%	11.2%	14.8%
CAPEX / Revenues	12.3%	16.1%	11.4%
Operating indicators (HK)			
Blended ARPU, period average	\$214	\$219	\$241
Customer number, period end ('000)	1,231	1,318	1,442
Postpaid churn rate, period average	1.5%	1.3%	1.3%