SmarTone Telecommunications Holdings Ltd.

FY12 Interim Results Presentation

For the six months ended 31 December 2011

Douglas Li
CEO

21 February 2012

Agenda

- Results highlights
- Financial review
- Outlook
- Q&A

Results highlights

Key highlights

- Service revenue increased 31%, driven by continuing growth in customer number & ARPU
- Increasing competitiveness through quality & innovation
- Data revenue increased 54%
- EBITDA increased 52%
- Net profit increased 48% to $475m
- Interim dividend of $0.46 per share, with a scrip alternative

Financial results

($m)	1H FY11	2H FY11	1H FY12
Revenues	**2,759**	**3,872**	**5,060**
Cost of inventories sold and services provided	(866)	(1,634)	(2,540)
Gross profit	1,893	2,238	2,520
OPEX	(966)	(1,013)	(1,095)
Impairment loss of financial investments	-	-	(20)
EBITDA	**927**	**1,225**	**1,406**
Depreciation, amortisation & disposal loss	(512)	(652)	(764)
EBIT	**415**	**573**	**641**
Net finance costs	(34)	(53)	(59)
Profit before income tax	381	520	583
Income tax	(57)	(79)	(97)
Non-controlling interests	(4)	(7)	(10)
Net profit	**321**	**434**	**475**

Dividends

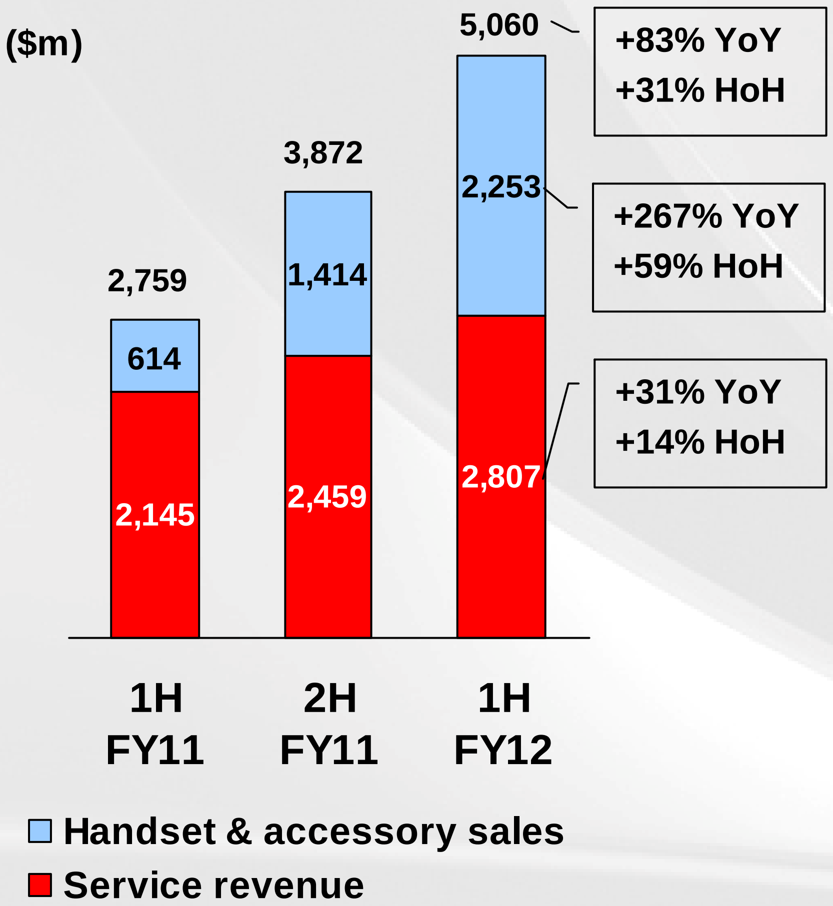
($)	1H FY11 *	2H FY11	1H FY12
Interim DPS	0.31	0.42	0.46

- Interim DPS of $0.46
- Scrip dividend alternative

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

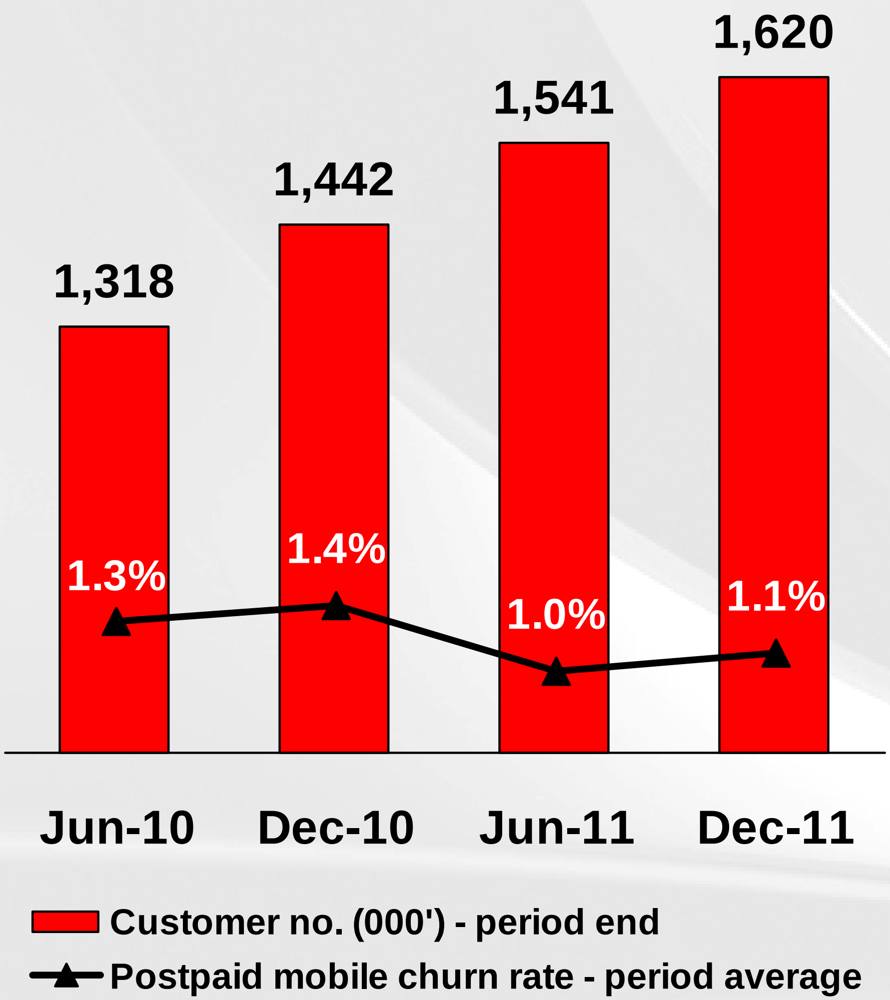
Financial review

Revenues



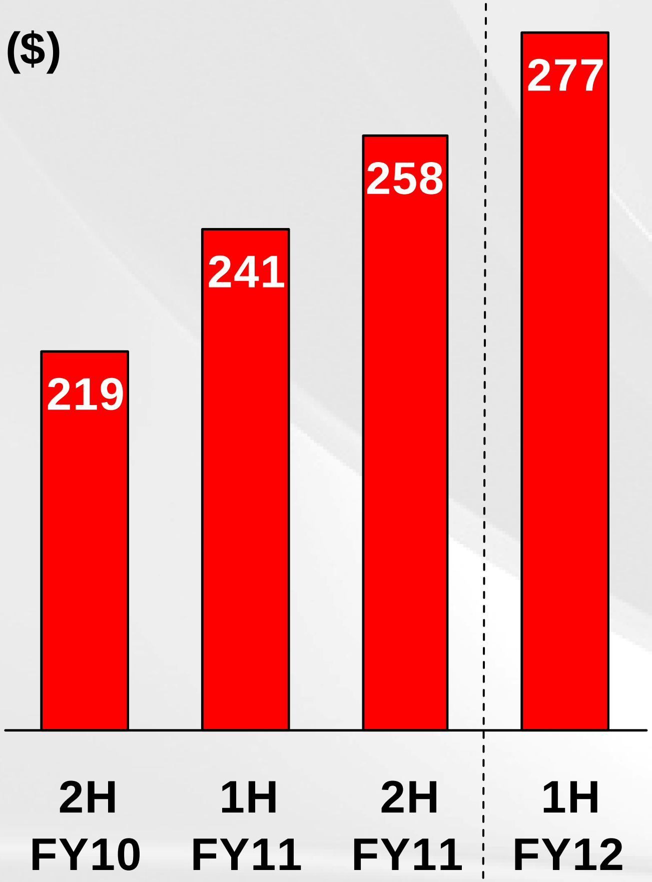
- Service revenue ↑ 31%
  - ARPU ↑ 15%
  - Customer no. ↑ 12%
- Strong growth from smartphone adoption

Customer base – Hong Kong



- ↑ 12% to over 1.6 million
- Postpaid mobile churn rate at 1.1%

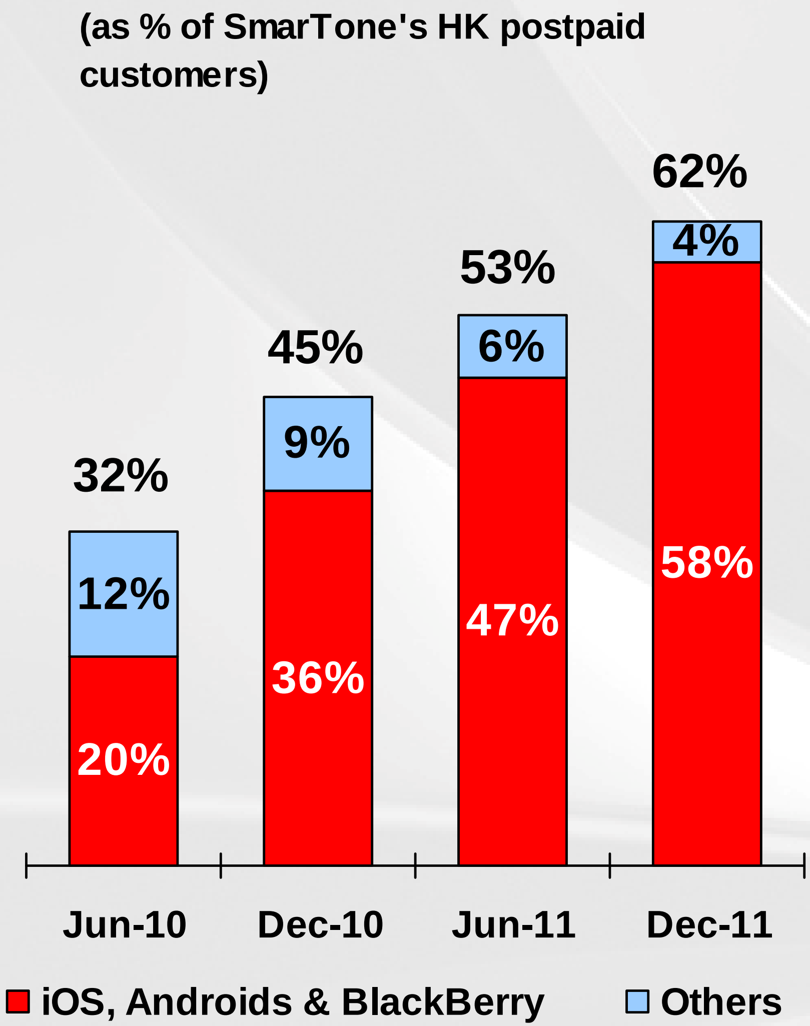
Fully blended ARPU * – Hong Kong



- Fully blended ARPU
  - ↑ 15% YoY, ↑ 7% HoH
- Mobile postpaid ARPU
  - ↑ 16% YoY, ↑ 8% HoH

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

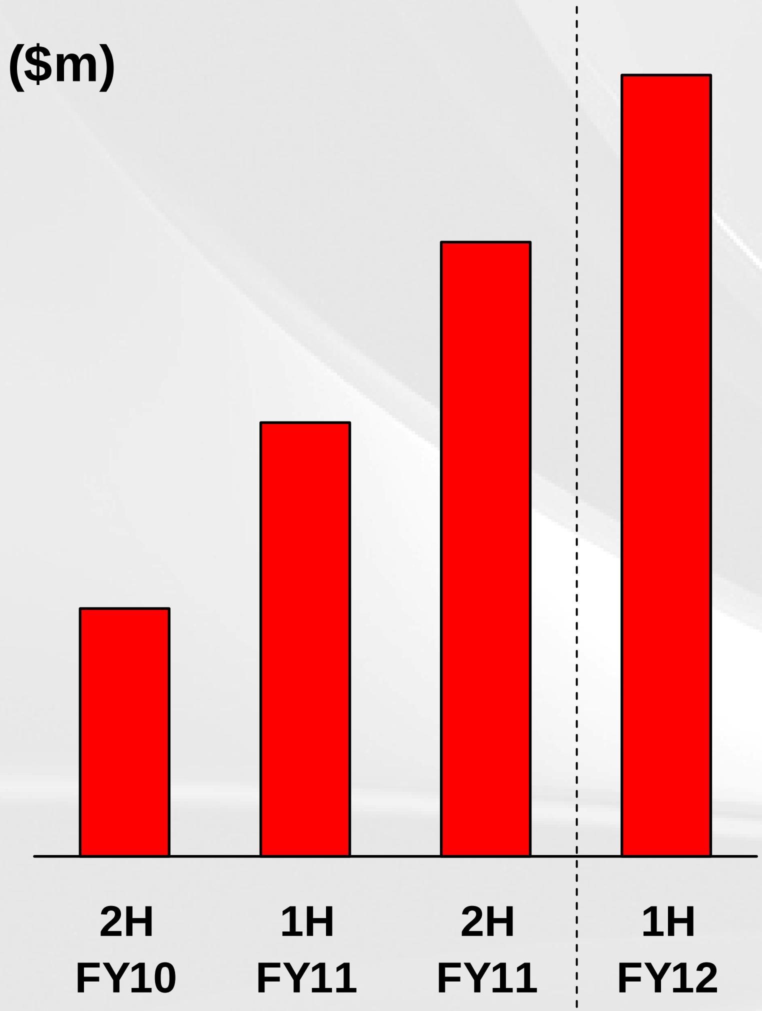
Smart device* penetration – Hong Kong



- Penetration continued to increase
- Smart devices accounted for over 90% of units sold

** Based on GFK definition*

Data revenue growth – Hong Kong



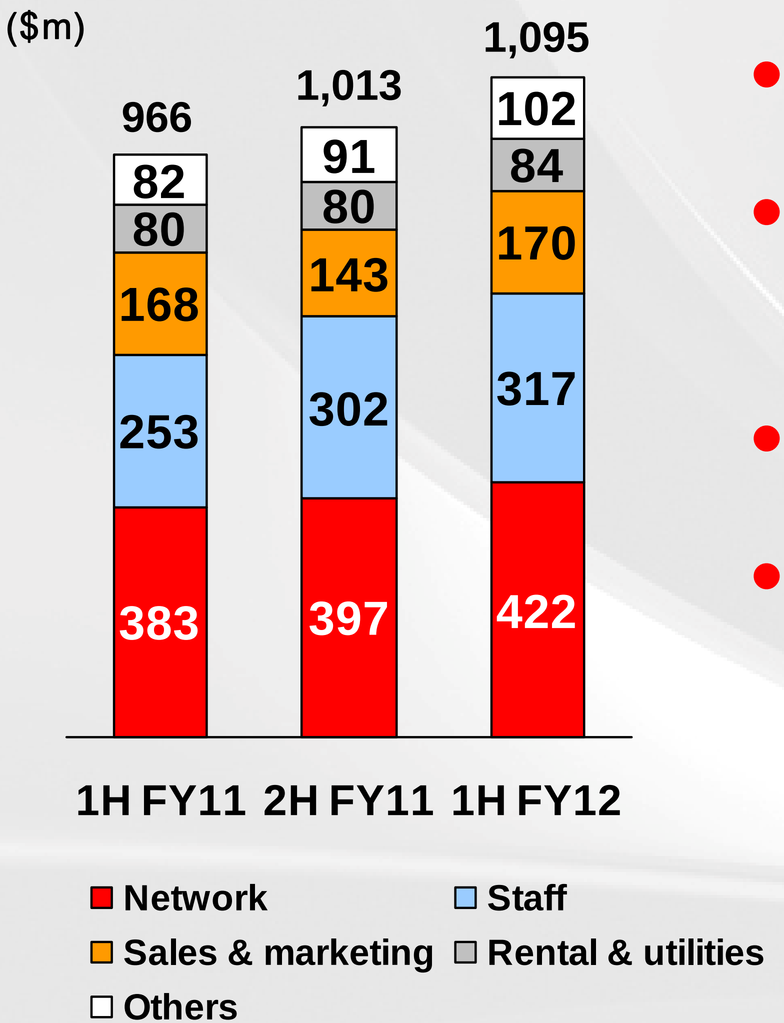
- Up 54%
- Increasing penetration of smart devices & adoption of data services
- 54% of service revenue
- Postpaid revenue from proprietary services exceeded SMS

Cost of inventories sold & services provided

($m)	1H FY11	2H FY11	1H FY12
Cost of services provided	(296)	(298)	(308)
Cost of inventories sold			
Before handset subsidy capitalisation	(1,273)	(1,931)	(2,920)
Handset subsidy capitalisation	703	596	688
	(570)	(1,335)	(2,232)
Total	(866)	(1,634)	(2,540)

- Cost of services provided ↑ 4%
- Handset subsidy capitalisation ↓ 2%, driven by timing of device launches

OPEX



- ↑ 13%
- ↑ 11%, excluding share-based payments in 1H FY12
- Lower than revenue growth
- Further improving service quality & supporting a larger customer base

Depreciation & amortisation

($m)	1H FY11	2H FY11	1H FY12
Depreciation & disposal loss	(234)	(241)	(261)
Amortisation of licence fee	(36)	(41)	(41)
Handset subsidy amortisation	(242)	(371)	(463)
Total	(512)	(652)	(764)

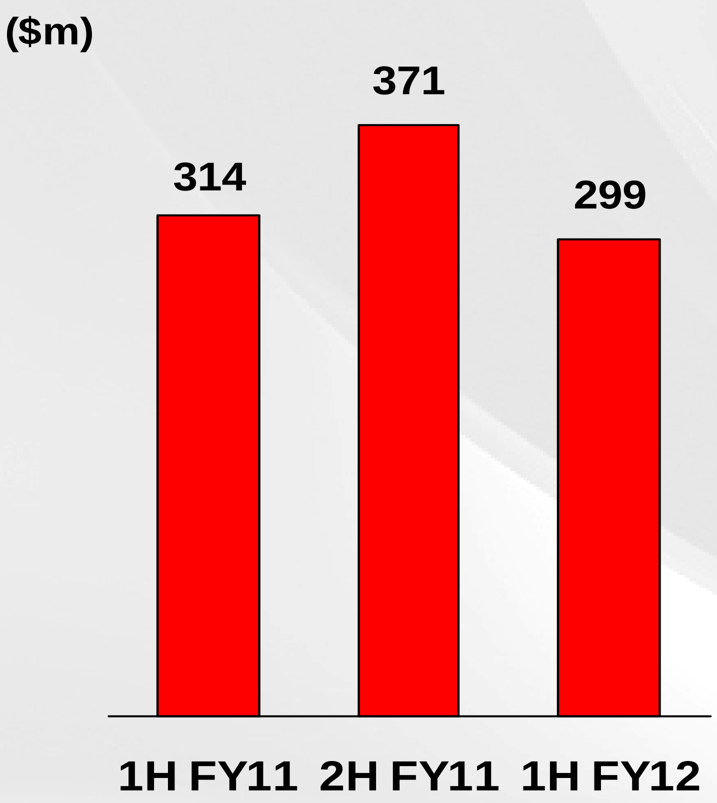
- Fixed asset depreciation ↑ 12%, reflecting continuing trend of network investment
- Amortisation of licence fee ↑13%
  - Retaining 1800 MHz spectrum for re-farming to implement LTE
- Higher handset subsidy amortisation reflecting increasing proportion of handset bundled plans

Net finance costs

($m)	1H FY11	2H FY11	1H FY12
Finance income	18	14	15
Finance costs	(6)	(16)	(23)
Deemed finance charges			
Spectrum utilisation fee	(44)	(50)	(50)
Asset retirement obligations	(1)	(1)	(1)
Total	(34)	(53)	(59)

- Finance income ↓ 16%
  - Lower cash level after payment for the 850 MHz spectrum
- Finance costs ↑ to $23 million
- Deemed finance charge for SUF ↑ 12%
  - Retaining 1800 MHz spectrum for re-farming to implement LTE

CAPEX



- Continuing enhancement of network performance
- Roll out of 850 MHz HSPA+
- Upgrade to the new generation of base stations to be completed mid-2012
- FY11/12 CAPEX guidance of $750m – $800m

Outlook

Outlook

- Increasing global economic uncertainties
- Domestic inflationary pressure on costs
- Increasing adoption of smart devices, data services and applications
- Competition remains acute as weak competitors try to recover lost ground

Operational focus

- Further enhance quality to stretch our lead in total customer experience
- Further innovate to create new services
- Further improve cost management and drive efficiency
- Cost effective expansion of network capacity
  - Implementing 850 MHz HSPA+
  - Re-allocate network resources from wireless fixed broadband to the higher margin mobile business
  - Launch LTE at 1800 MHz
- Launch LTE network within 2012

Q & A

Appendix

Group P&L

($m)	1H FY11	2H FY11	1H FY12
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Profit before income tax	381	520	583
Income tax expense	(57)	(79)	(97)
Profit after income tax	324	441	486
Non-controlling interests	(4)	(7)	(10)
Net profit	**321**	**434**	**475**

Group Balance Sheet

($m)	Jun 11	Dec 11
Fixed assets	2,110	2,148
Intangible assets	2,521	2,694
Other non-current assets (excl. debt securities)	106	111
Cash, bank balance & debt securities [1]	1,653	1,878
Other current assets	847	895
Bank borrowings [1]	(550)	(650)
Customer prepayments and deposits	(1,007)	(1,262)
Other current liabilities	(1,773)	(1,897)
Other non-current liabilities	(998)	(923)
Net assets	**2,909**	**2,996**
Share capital	103	103
Reserves	2,760	2,837
Total equity attributable to equity holders	2,863	2,940
Non-controlling interests	46	56
Total equity	**2,909**	**2,996**
[1] *Net cash & bank balance*	*1,231*	*1,499*
Held-to-maturity debt securities	*422*	*379*
Bank Borrowings	*(550)*	*(650)*
Total	*1,103*	*1,228*
[2] *Shares in issue at balance sheet date (million)*	1,028	1,030
[3] *Net book value per share*	*$2.8*	*$2.9*