

SmarTone Telecommunications Holdings Limited

FY12 Annual Results Presentation
For the year ended 30 June 2012

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CEO

4 September 2012

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Agenda

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

Results highlights

Key highlights

- Service revenue increased 24%, driven by growth in customer number & increased ARPU
- Data revenue increased 42%
- EBITDA increased 39%
- Net profit increased 36% to \$1,023m
- Proposed final dividend of \$0.53 per share, making full year dividend of \$0.99, at 100% payout ratio

Financial results

(\$m)	FY11	FY12
Revenues	6,631	9,952
Cost of inventories sold	(1,905)	(4,189)
OPEX	(2,574)	(2,771)
EBITDA	2,152	2,992
Depreciation, amortisation & disposal loss	(1,164)	(1,630)
EBIT	988	1,362
Net finance costs	(87)	(109)
Profit before income tax	901	1,253
Income tax	(136)	(212)
Non-controlling interests	(11)	(18)
Net profit	754	1,023

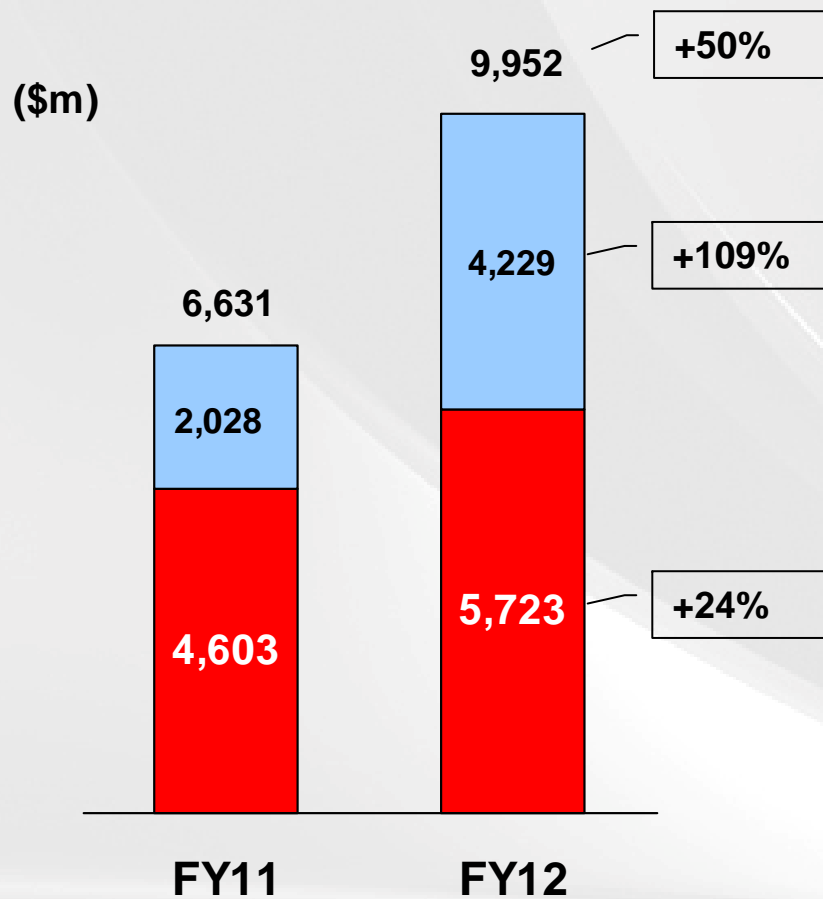
Dividends

(\$)	FY11	FY12
Interim DPS	0.31	0.46
Final DPS	0.42	0.53
Total DPS	0.73	0.99

- Final DPS of \$0.53
- Continuing full payout of net profit
- Scrip dividend alternative

Financial review

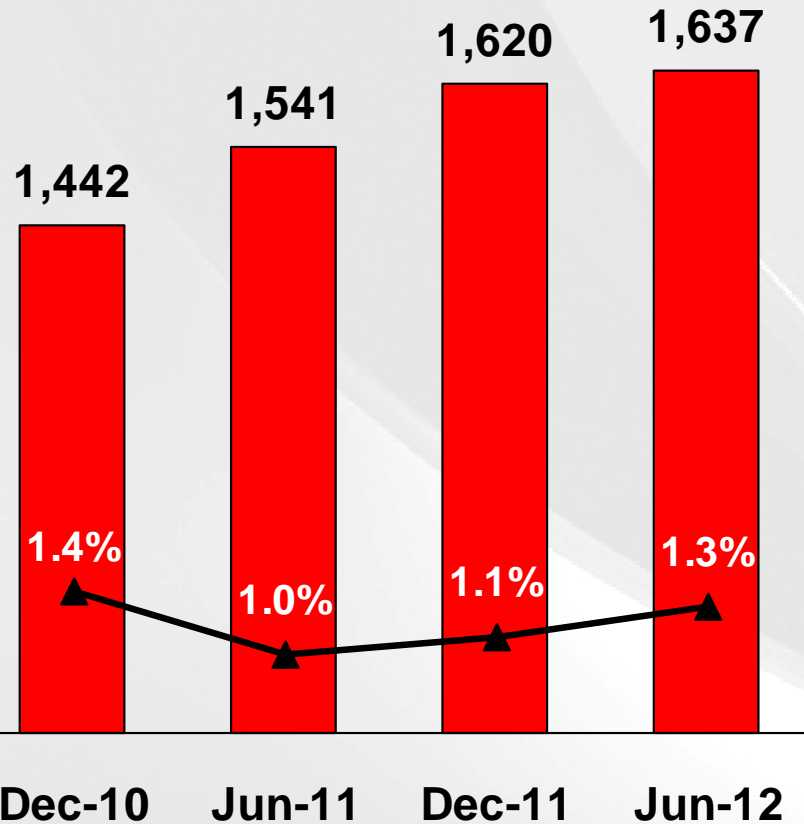
Revenues



- Service revenue up 24%
 - Increased ARPU
 - Growth in customer number
- Continuing rise in data usage

■ Handset & accessory sales
■ Service revenue

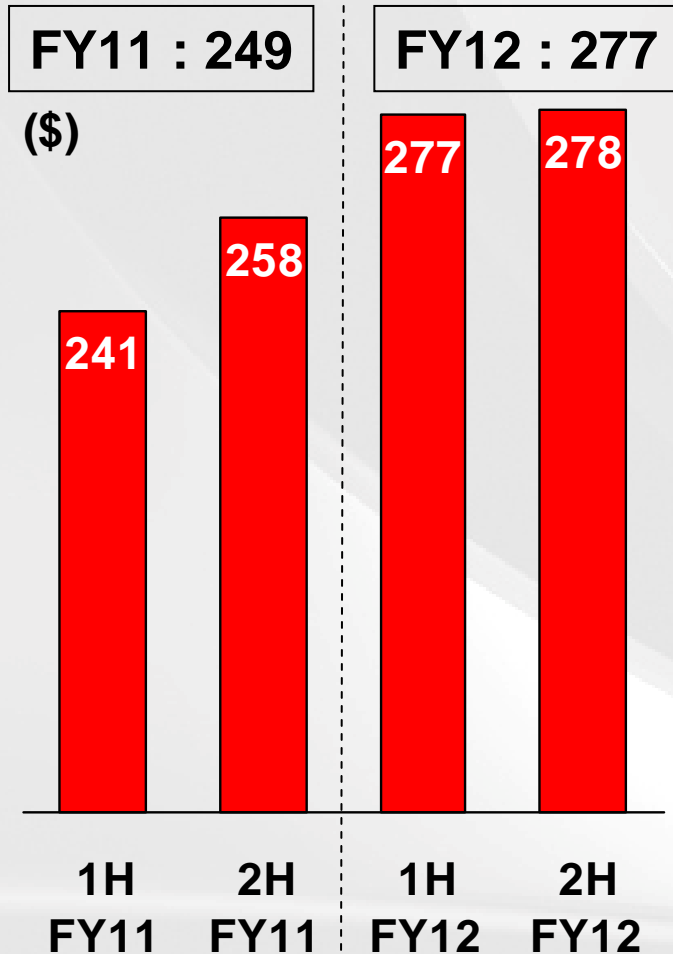
Customer base – Hong Kong



- Total customers up 6% YoY
- Mobile customers up 7% YoY
- Modest increase in churn, largely confined to lower ARPU customers

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

Fully blended ARPUs – Hong Kong

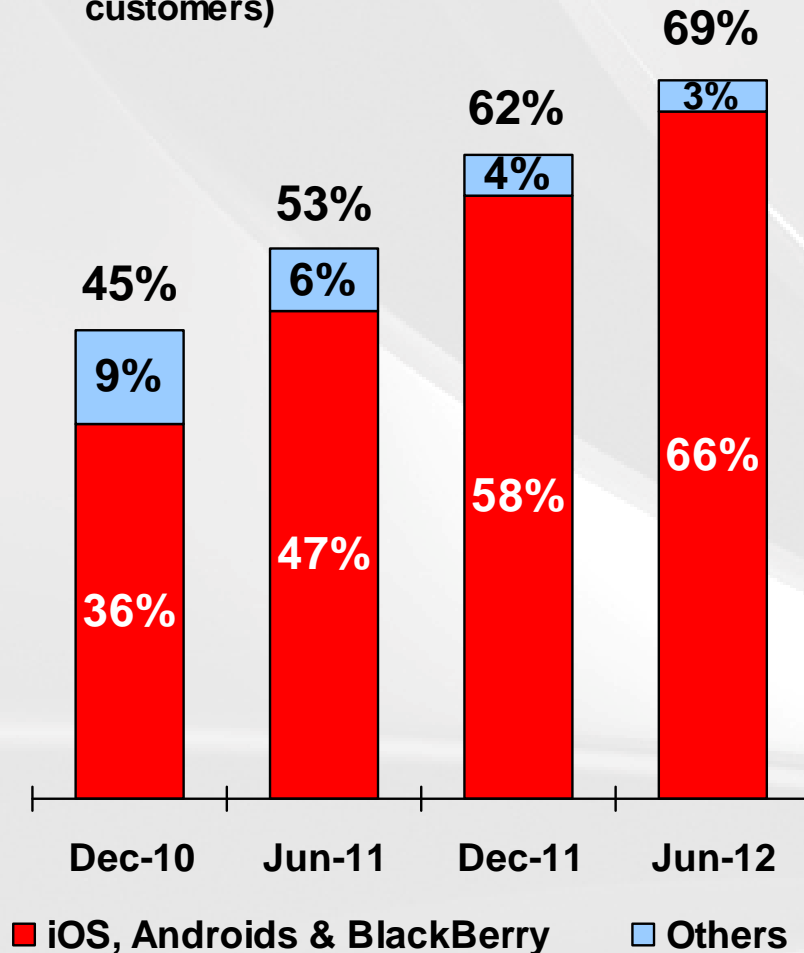


- Fully blended ARPUs up 11%
- Mobile postpaid ARPUs up 14%

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

Smart device penetration – Hong Kong

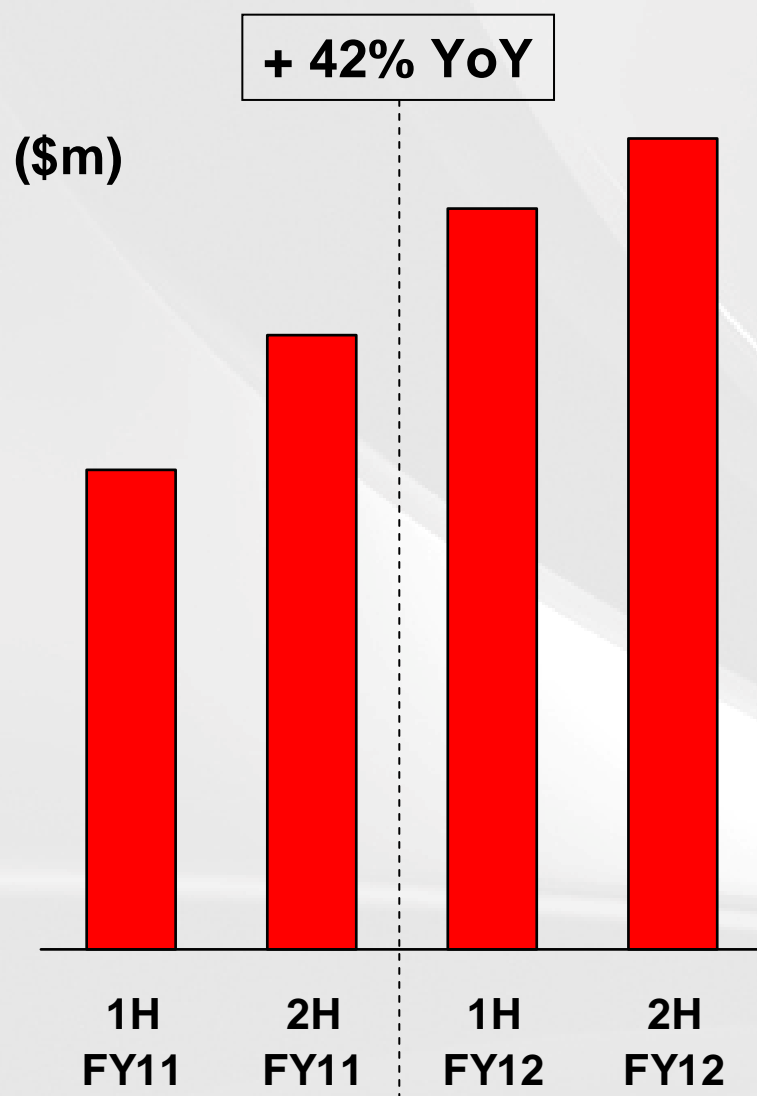
(as % of SmarTone's HK postpaid customers)



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

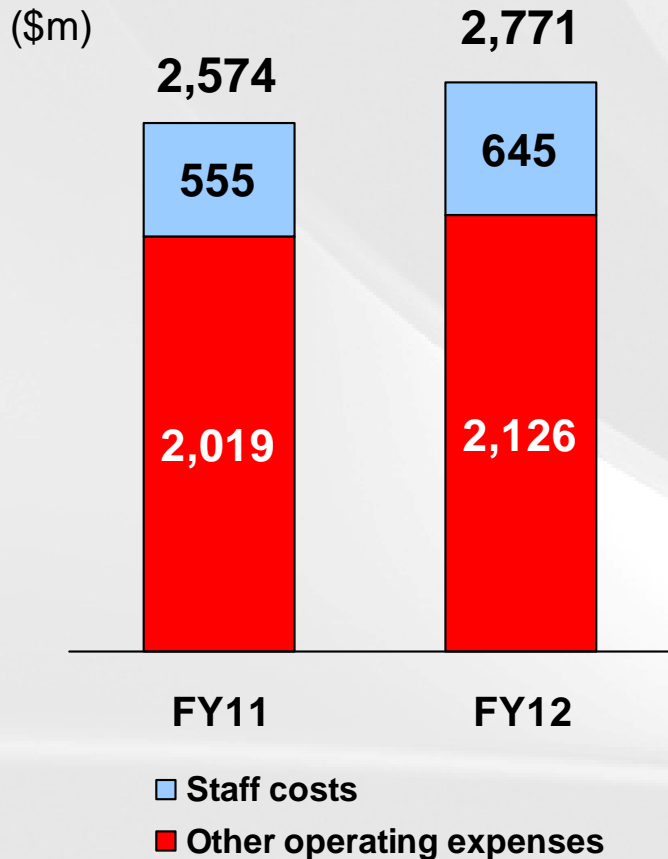
Smart device as defined by Gfk

Data revenue growth – Hong Kong



- Up 42% YoY
- Increasing adoption of data services and smart mobile devices
- 56% of service revenue

OPEX



- OPEX up 8%
 - Staff costs up 16%, half of which attributable to managerial staff share options
 - Other OPEX, including network costs, up 5%
- Continuing reduction of OPEX as a % of service revenue

Depreciation & amortisation

(\$m)	FY11	FY12
Depreciation & disposal loss	(474)	(515)
Amortisation of licence fee	(77)	(92)
Handset subsidy amortisation	(613)	(1,023)
Total	(1,164)	(1,630)

- Fixed asset depreciation up 9% on rising CAPEX
- Higher handset subsidy amortisation reflecting continuing handset bundled plans subscription

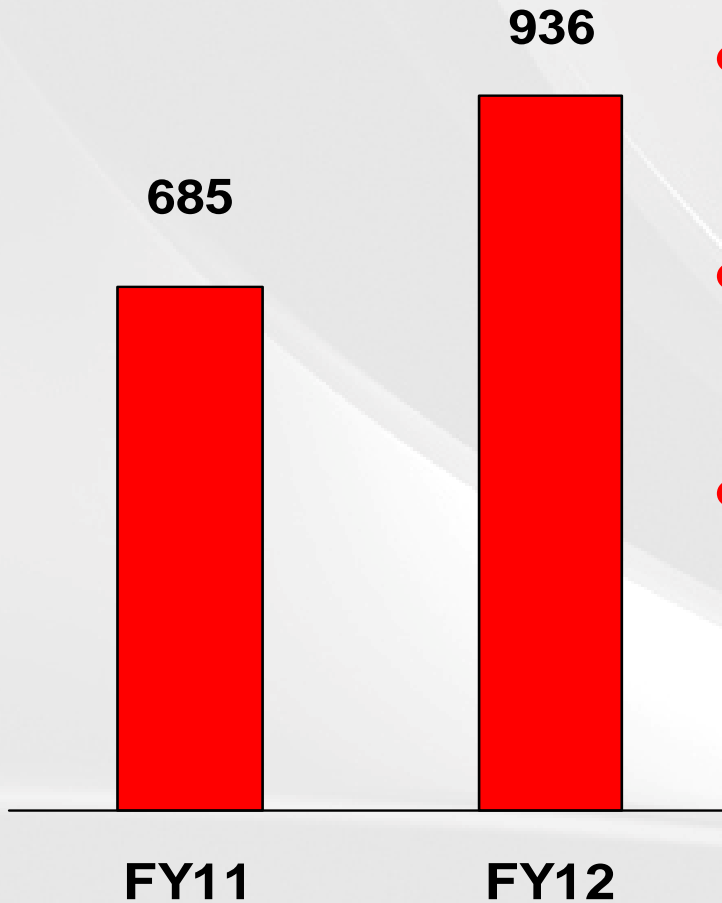
Net finance costs

(\$m)	FY11	FY12
Finance income	32	26
Finance costs	(22)	(35)
Deemed finance charges		
Spectrum utilisation fee	(95)	(98)
Asset retirement obligations	(2)	(2)
Total	(87)	(109)

- Finance income down 18%
 - Reduced bond holding as bonds were redeemed on maturity
- Finance costs up 57% driven by bank charges for financing bundled plans' handsets
- Deemed finance charges stable

CAPEX

(\$m)



- Network expansion for capacity and performance
- Purchase of Macau switching centre property
- FY12/13 CAPEX guidance of \$1.2 billion

Outlook

Outlook

- Rising economic uncertainty & persistent inflationary pressure
- Continuing focus & investment in delivering an outstanding customer experience
- New price plans
 - Better serving high usage customers
 - Addressing previously untapped lower spending market segments
- 4G to bring opportunities for service innovations in FY13

Q & A

Appendix

Group P&L

(\$m)	FY11	FY12
Revenues	6,631	9,952
Cost of inventories sold	(1,905)	(4,189)
Staff costs	(555)	(645)
Other operating expenses	(2,019)	(2,126)
EBITDA	2,152	2,992
Depreciation, amortisation & loss on disposal	(1,164)	(1,630)
EBIT	988	1,362
Net finance costs	(87)	(109)
Profit before income tax	901	1,253
Income tax expense	(136)	(212)
Profit after income tax	765	1,041
Non-controlling interests	(11)	(18)
Net profit	754	1,023

Group Balance Sheet

(\$m)	Jun 11	Jun 12
Fixed assets	2,110	2,530
Intangible assets	2,521	2,602
Other non-current assets (excl. debt securities)	106	89
Cash, bank balance & debt securities ⁽¹⁾	1,653	1,413
Other current assets	847	835
Bank borrowings ⁽¹⁾	(550)	(66)
Customer prepayments and deposits	(1,007)	(1,215)
Other current liabilities	(1,773)	(2,041)
Other non-current liabilities	(998)	(972)
Net assets	2,909	3,175
Share capital	103	104
Reserves	2,760	3,007
Total equity attributable to equity holders	2,863	3,111
Non-controlling interests	46	64
Total equity	2,909	3,175
⁽¹⁾ <i>Cash & bank balance</i>	1,231	1,334
<i>Held-to-maturity debt securities</i>	422	79
<i>Bank Borrowings</i>	(550)	(66)
<i>Net cash and debt securities balance</i>	1,103	1,347
⁽²⁾ <i>Shares in issue at balance sheet date (million)</i>	1,028	1,037
⁽³⁾ <i>Net book value per share</i>	\$2.8	\$3.0