SmarTone Telecommunications Holdings Limited

FY13 Annual Results Presentation

For the year ended 30 June 2013

Douglas Li
CEO

11 September 2013

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Agenda

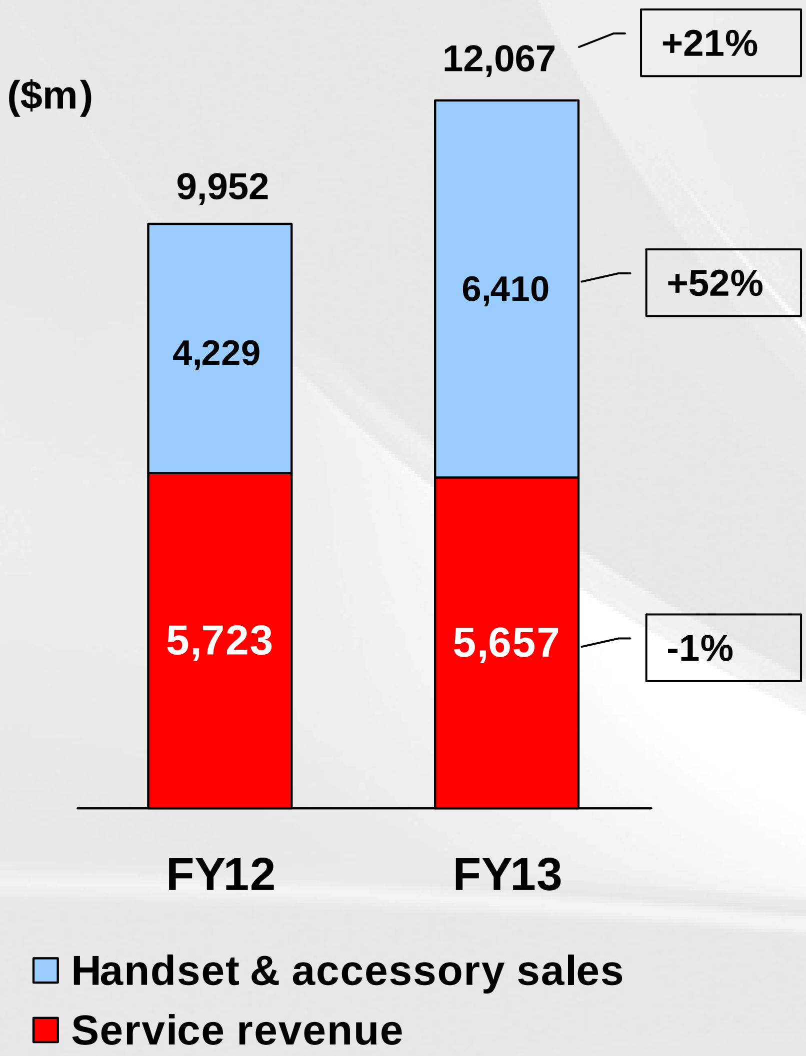
- Business review
- Outlook
- Appendix – financial information

Business review

Key highlights

- Group service revenue down 1% with local mobile service increased 4%, offset by an 18% decline in roaming
- Group EBITDA unchanged at $2,989m
- Higher depreciation and amortisation arising from new investments in spectrum and CAPEX
- Net profit fell 18% to $843 million
- Proposed final dividend of $0.22 per share, representing 60% of 2H FY13 profit, making full year dividend of $0.66

Group revenues



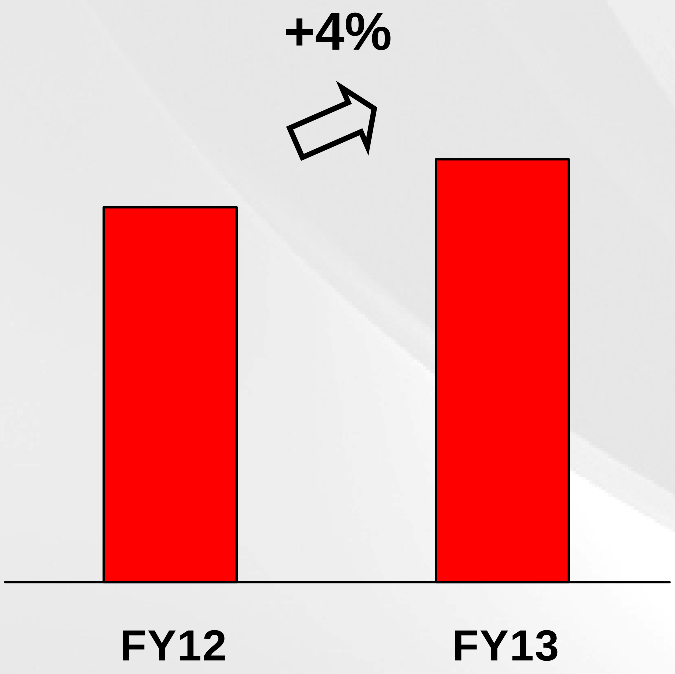
- Service revenue down 1%
  - Local mobile revenue up 4%
  - Lower roaming revenue
  - Continuing scaling down of wireless fixed broadband business

Group EBITDA & Net Profit

($m)	FY12	FY13	YoY
Group EBITDA			
- Local Mobile	1,984	2,153	**169**
- Roaming	904	760	**(144)**
- Wireless Fixed	104	77	**(27)**
Total EBITDA	2,992	2,989	(2)
Depreciation & amortisation	(1,630)	(1,853)	(223)
Net finance costs, tax & others	(339)	(293)	46
Net profit	1,023	843	(180)

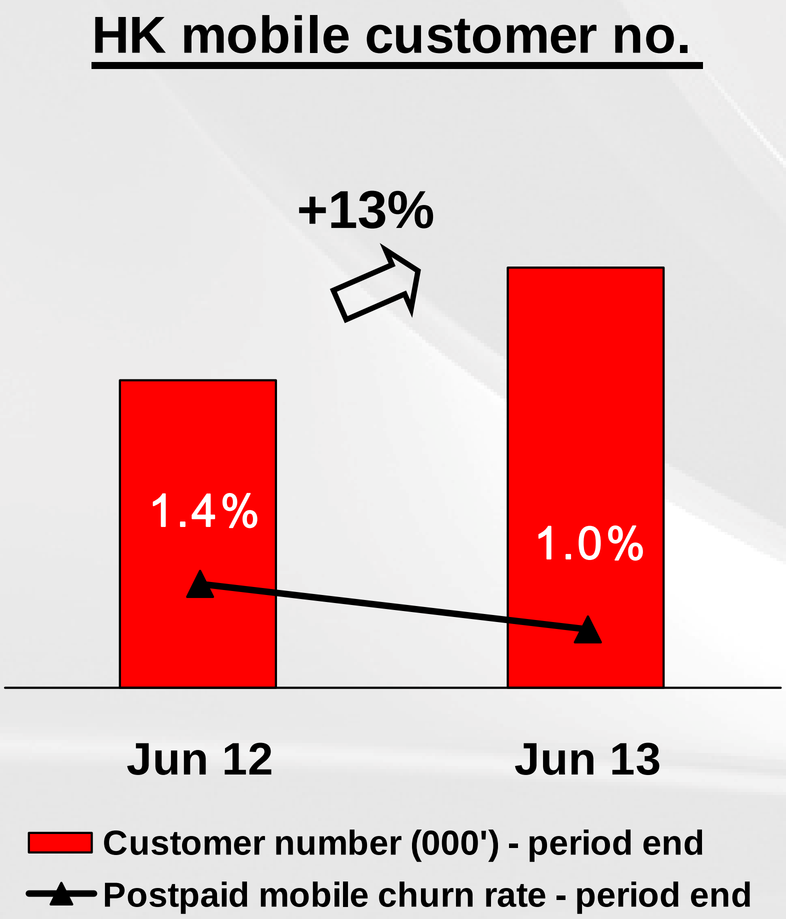
- Continuing growth in local mobile business, amidst intense competition
- Decline in roaming and Wireless Fixed businesses
- Group EBITDA unchanged
- Increased investment in 3G & 4G to meet rising data usage
- Rising data usage not adequately monetised
- Higher depreciation & amortisation arising from increased investment accounts for the decline in net profit

Growth in Hong Kong local mobile revenue



- Local mobile revenue up 4%
  - Growth in customer number more than offset the decline in ARPU
- Increased revenue from higher-priced plans driven by higher ARPU
- 3G speed-capped plan is revenue accretive
  - 60% new customers
  - 20% existing customers upgrade from lower priced plans

Strong growth in Hong Kong mobile customer number



- Mobile customers up 13%
- Postpaid churn rate improved further to 1.0%
- HK local mobile ARPU down 3%, due to dilution from 3G speed-capped plans

Group operating expenses well under control

- Group operating expenses up 3%
  - Staff costs up 8%, due to wage inflation
  - Other operating expenses up 2%

Secured long term funding at favourable costs

- Secured long term funding to match long term investment
- Took advantage of historic low US Treasury yield to lock in fixed borrowing costs
- Minimal risk from future rise in interest rate
  - Interest rate profile of borrowings : 78% fixed ; 22% floating
  - 10 year fixed-rate average funding cost at 3.52%

Operational highlights

- Consolidated our leadership in network performance
  - Launched territory-wide 1800MHz 4G network
  - Improved quality, coverage and speed for both 3G & 4G
  - Acquired 2600MHz spectrum for future capacity expansion
  - Accelerated migration of 2G customers to 3G & 4G, freeing spectrum for future re-farming
- Increased market share with 3G speed-capped plan, serving previously untapped customer segments

Operational highlights (cont’d)

- Launched new proprietary services (Loop, Cloud Storage Manager, Street View To Go) and upgraded features and improved user experiences of existing services
- Continuing cost controls while improving service quality
- Secured long-term funding at favourable costs for investments in spectrum and CAPEX

Outlook

Outlook

- Challenges facing the industry
  - Inadequate monetisation of increasing data usage
  - Rising spectrum fees, CAPEX and OPEX due to Government's 3G spectrum renewal policy
- Focusing on providing customers the highest level of service through
  - Powerful network
  - Exclusive apps
  - Outstanding customer care
- Reducing dividend payout ratio to 60%, to ensure sufficient financial resources for future investment

Appendix –

financial Information

Group Profit & Loss

($m)	FY12	FY13
Revenues	**9,952**	**12,067**
Cost of inventories sold	(4,189)	(6,215)
Staff costs	(645)	(698)
Other operating expenses	(2,126)	(2,165)
EBITDA	**2,992**	**2,989**
Depreciation, amortisation & gain / (loss) on disposal	(1,630)	(1,853)
EBIT	**1,362**	**1,136**
Net finance costs	(109)	(121)
Profit before income tax	1,253	1,015
Income tax expense	(212)	(167)
Profit after income tax	1,041	848
Non-controlling interests	(18)	(5)
Net profit	**1,023**	**843**

Group Balance Sheet

($m)	Jun 12	Jun 13
Fixed assets	2,530	3,186
Intangible assets	2,602	2,989
Other non-current assets (incl. debt securities)	89	103
Cash, bank balance (1)	1,334	2,510
Other current assets	914	841
Bank borrowings (1)	(66)	(1,075)
Notes payable (1)	-	(1,520)
Customer prepayments and deposits	(1,215)	(1,074)
Other current liabilities	(2,041)	(1,873)
Other non-current liabilities	(972)	(1,038)
Net assets	**3,175**	**3,048**
Share capital	104	104
Reserves	3,007	2,882
Total equity attributable to equity holders	3,111	2,986
Non-controlling interests	64	62
Total equity	**3,175**	**3,048**
(1) Cash & bank balance	*1,334*	*2,510*
Bank Borrowings	*(66)*	*(1,075)*
Notes payable	*-*	*(1,520)*
Net (debt) / cash balance	*1,268*	*(85)*
(2) Shares in issue at balance sheet date (million)	1,037	1,037
(3) Net book value per share	*$3.0*	*$2.9*