SmarTone Telecommunications Holdings Limited

FY16 Interim Results Presentation

For the six months ended 31 December 2015

Stephen Chau
Interim CEO

2 February 2016

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Agenda

- Business & operation review
- Outlook
- Appendix – financial information

Business & operation review

Key highlights

- Total revenue of $10,228 million
  +18% over same period last year and 2% over previous half

- Service EBIT of $540 million
  +45% over same period last year and 11% over previous half

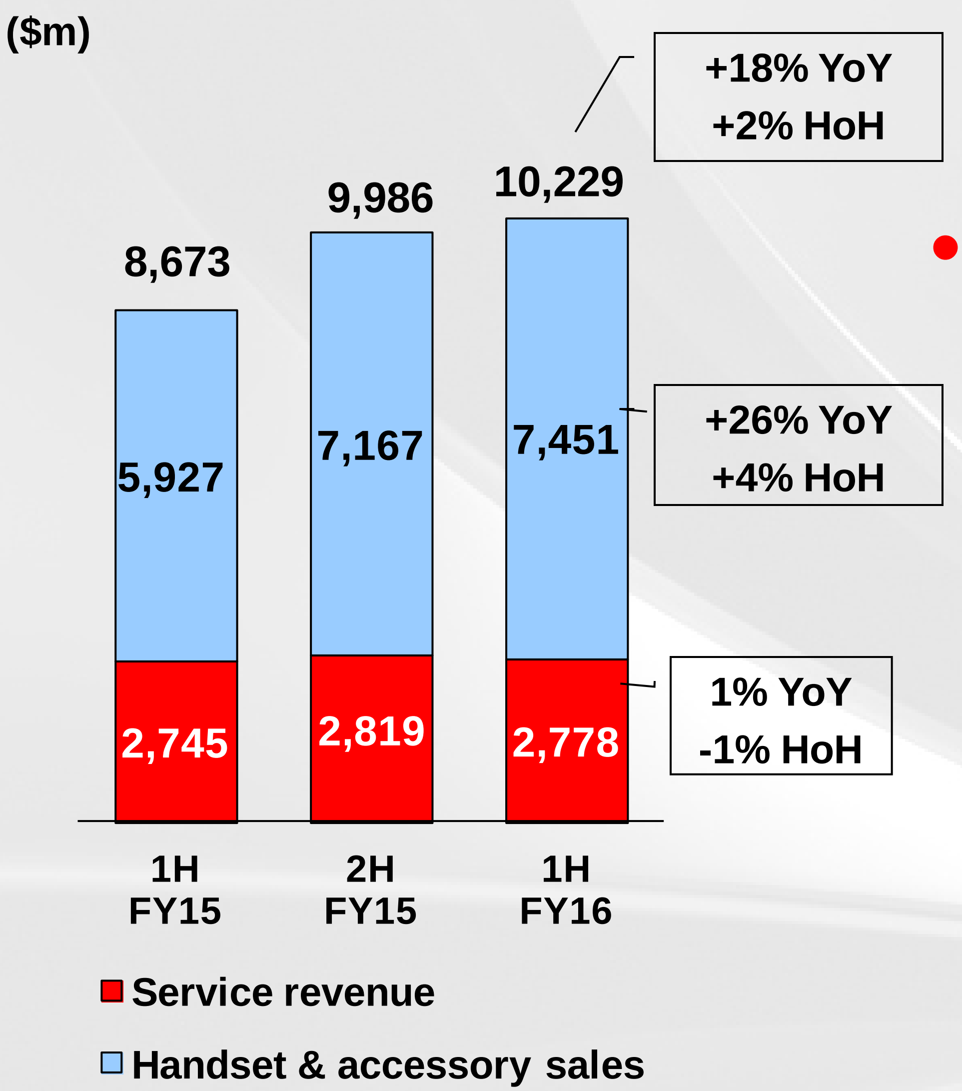
- Handset business EBIT of $47 million
  -81% over same period last year and -65% over previous half

- Net profit of $403 million
  -14% over same period last year and -14% over previous half

- Interim dividend of $0.27 per share
  Same as last year

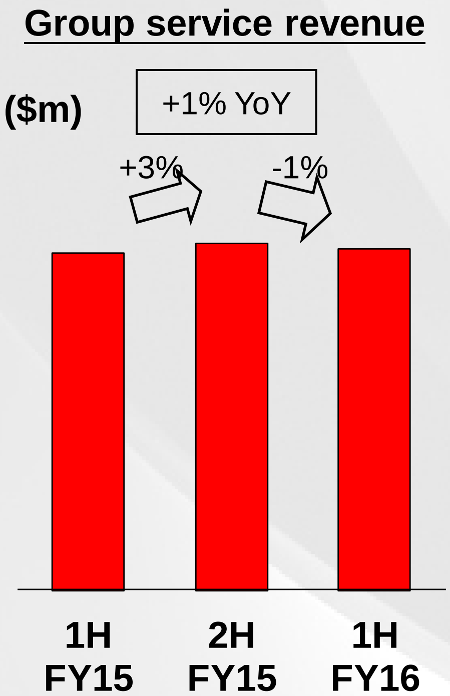
- Barring unforeseen circumstances, the Board intends to keep FY16 absolute dividend per share same as FY15

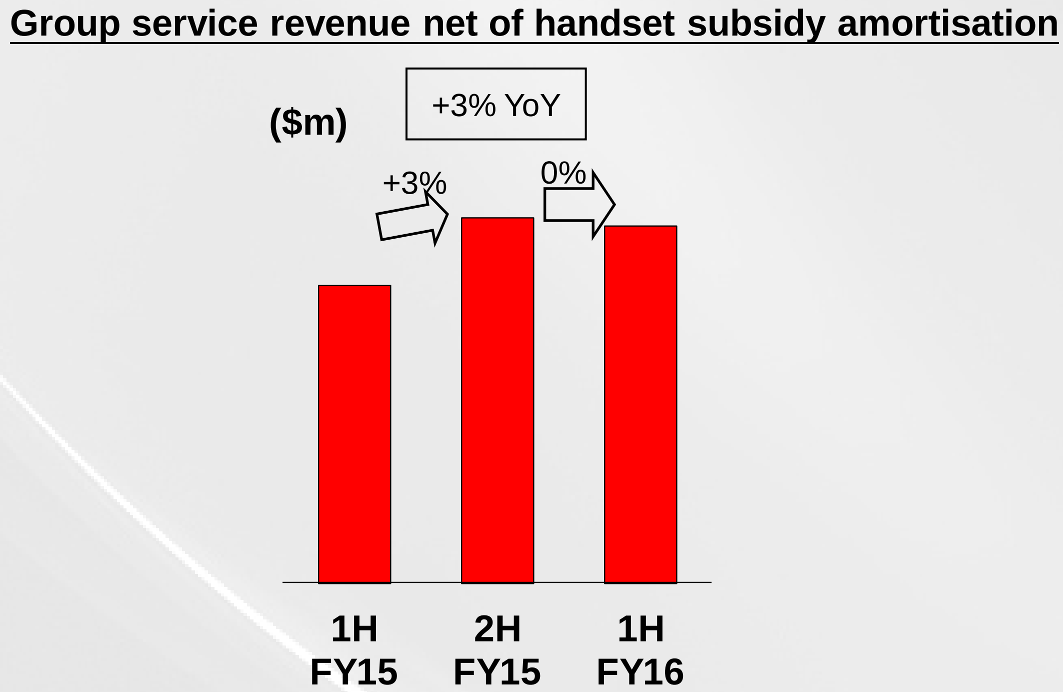
Group revenue



- Group revenue up 18% YoY
  - Service revenue largely stable
  - Handset & accessory sales increased

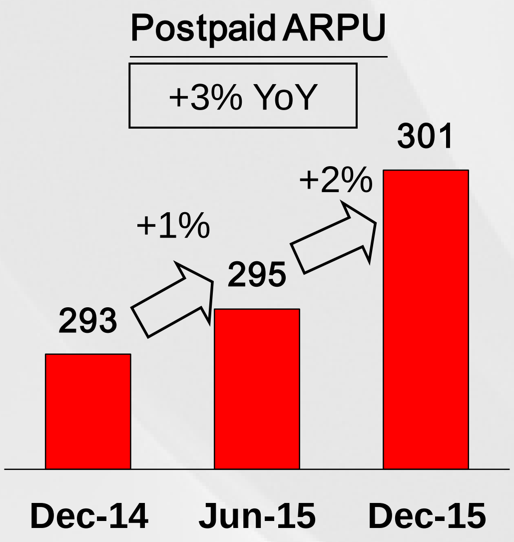
Group service revenue

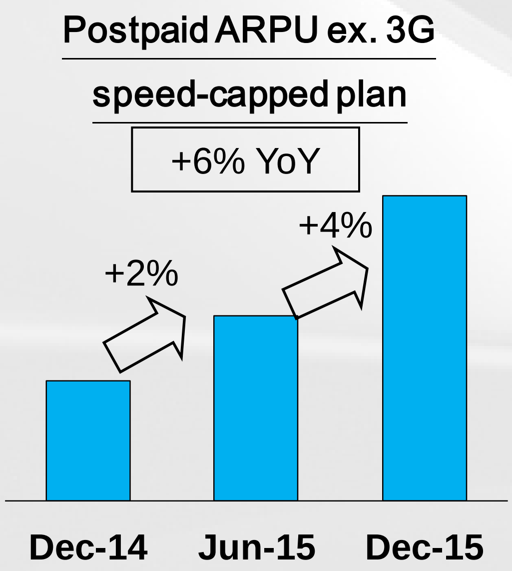




- Group service revenue up 1% YoY
  - Local service revenue increased YoY
  - Decline in roaming revenue YoY
  - Migration to SIM-only plans continued to affect service revenue, with corresponding reduction in handset subsidy amortisation
- Group service revenue net of handset subsidy amortisation enjoyed better growth, up 3% YoY

Increasing postpaid ARPU



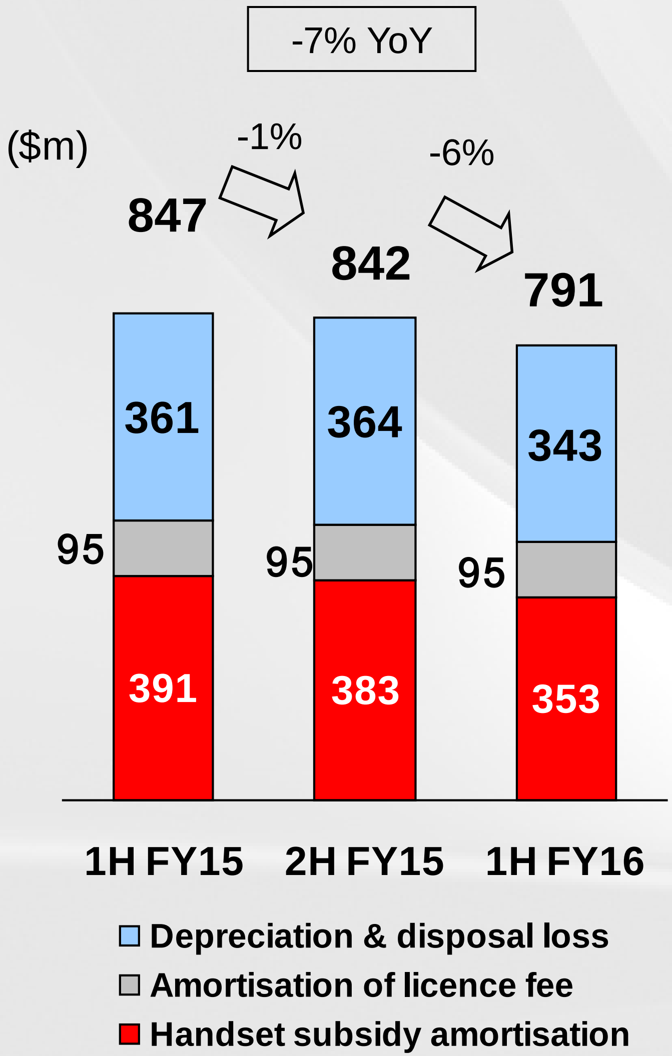


- Postpaid ARPU increased 3% YoY to $301
- Postpaid ARPU ex. 3G speed-capped plan increased 6% YoY
- Average mobile postpaid churn rate improved YoY to 0.9%
- Customer no. at 1.97m, +1% YoY

Cost control

- Group operating expenses dropped 5% YoY
  - Staff costs fell 1% YoY
  - Other operating expenses decreased 7% YoY
    - Network costs stable despite capacity expansion
    - Lower cost of services provided, sales and marketing expenses and general administrative expenses

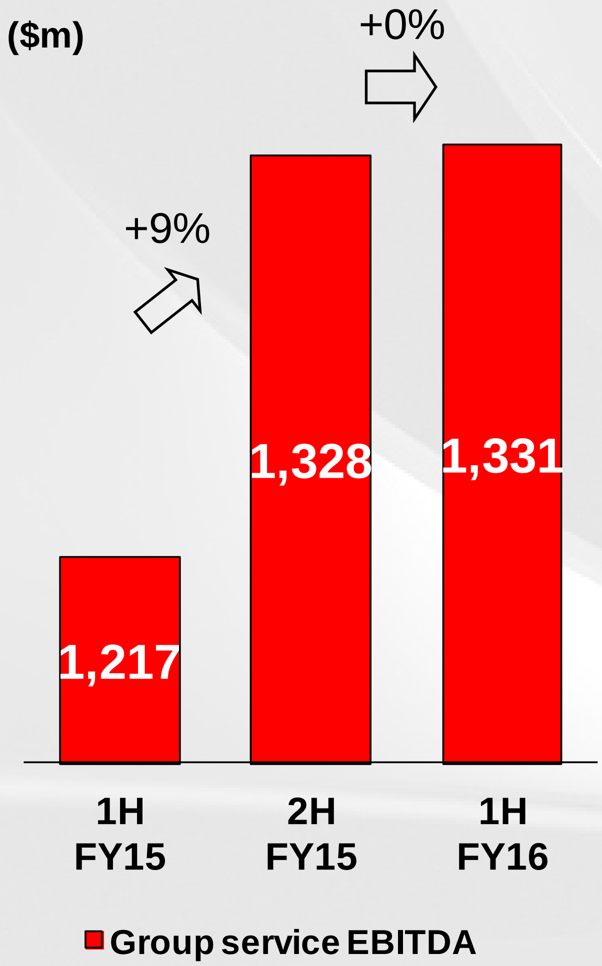
Decline in depreciation & amortisation



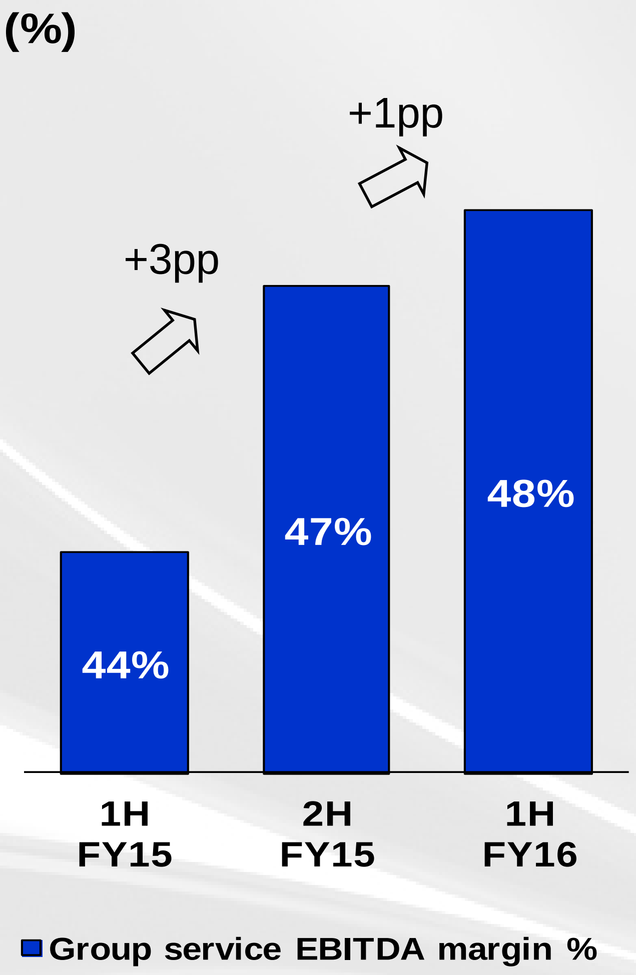
- Decreased 7% YoY
- Fixed asset depreciation decreased 5% YoY due to lower CAPEX
- Amortisation of licence fee stable
- Handset subsidy amortisation declined 10% YoY due to continuing customer migration to SIM-only plans upon expiry of contract

Improving service EBITDA margin

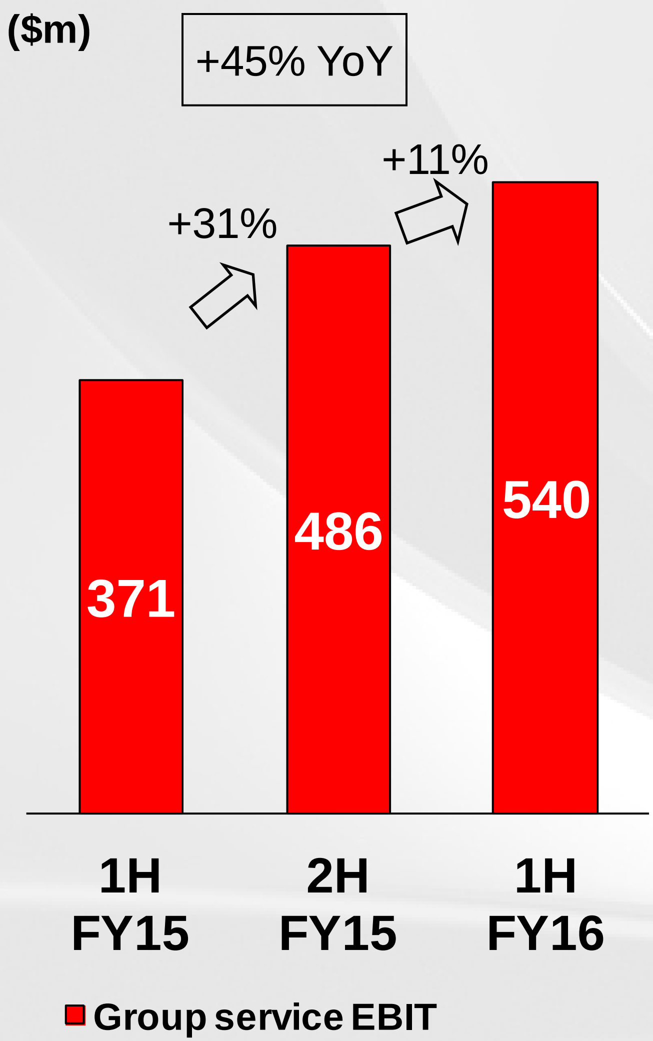
+9% YoY

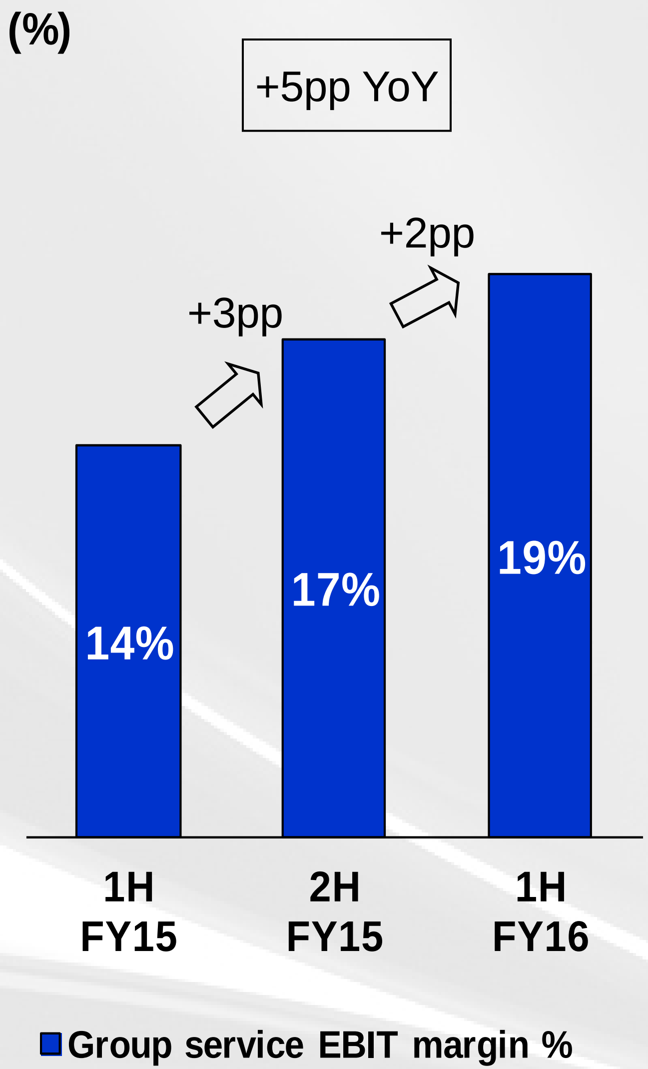


+4pp YoY

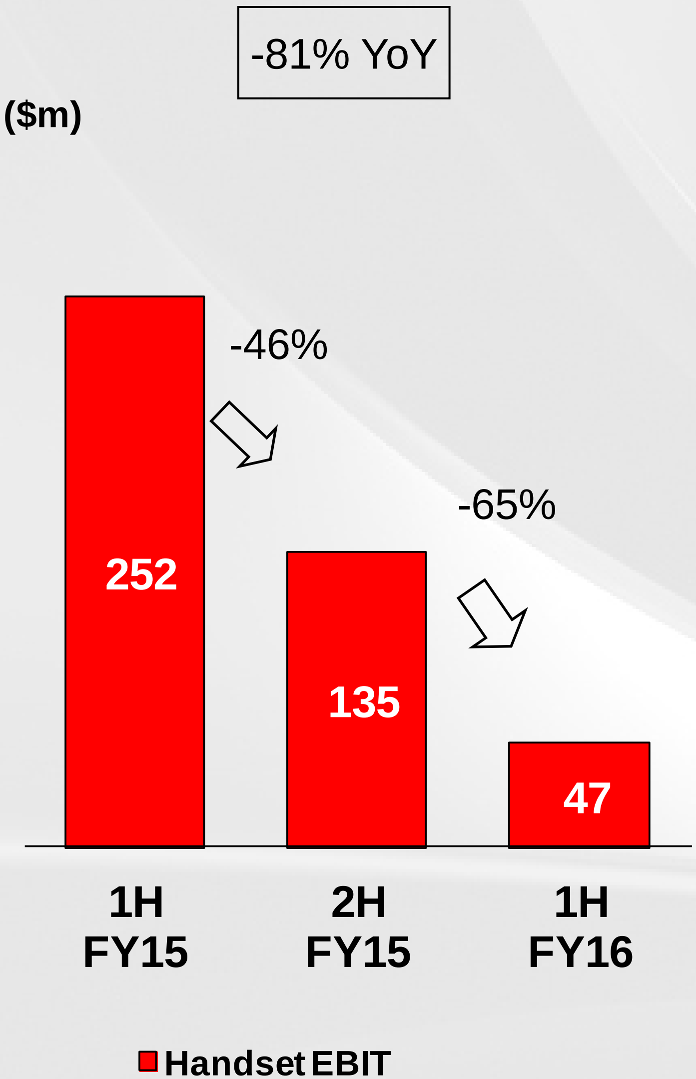


Improving service EBIT margin





Decline in handset EBIT

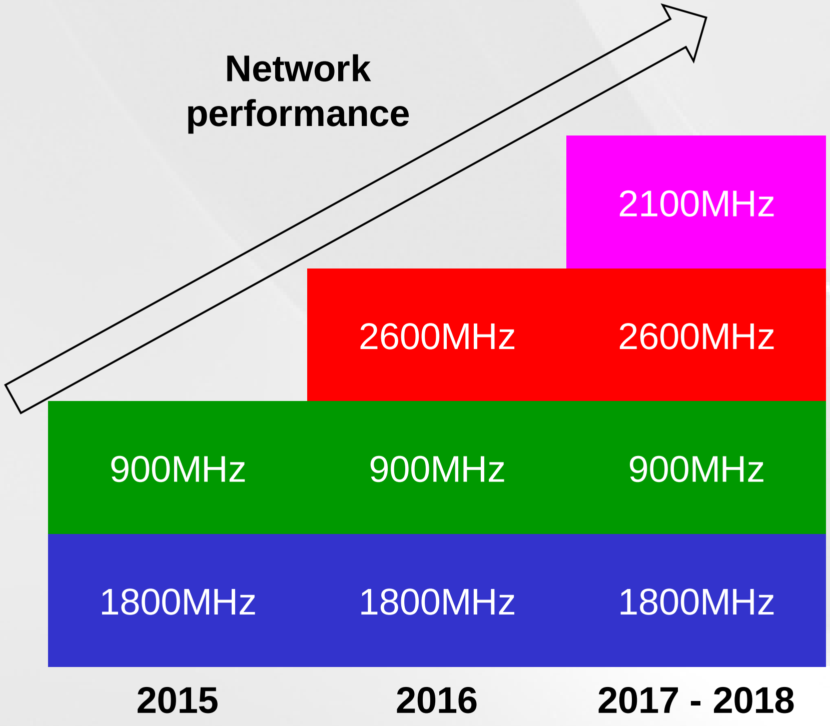


- Surge in FY15 handset EBIT and margin due to extremely popular smartphones
- EBIT and margin for FY16 back to historical levels

Strong balance sheet and favourable interest rate profile

- Long term funding in place for renewal and additional 2,100MHz spectrum
- Ample cash resources of over $3.1b
- Cash and bonds, net of borrowings at $1.1b
- Favourable interest rate profile
  - Interest rate profile: fixed - 81%; floating – 19%
  - Rising interest rate has little impact on funding costs

Continuous upgrade in network performance to deliver superior customer experience



- Implement multi-band carrier aggregation with latest LTE-A technologies
- Deploy small cells with LTE-U

Substantially increase data capacity and network speed

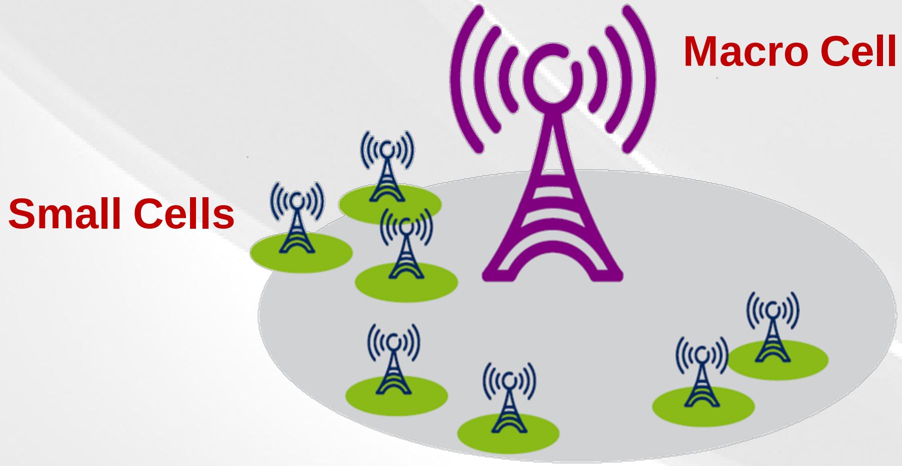
Implement multi-band carrier aggregation with latest LTE-A technologies

- Tri-band LTE-A carrier aggregation enabled since Oct 2015
- Quad-band carrier aggregation in 2017 with re-farming of 2,100MHz spectrum to LTE
- Upgrade 2X2 MIMO to 4X4 MIMO
- Employ advanced data coding (256QAM on downlink and 64QAM on uplink)

Greatly enhance network capacity and speed

Deploy small cells on LTE-U

- Already commenced deployment of small cells technology at traffic hotspots
- Trial of LTE-U with small cells in 2016



Cost-effective way to substantially increase capacity density

Outlook

Outlook

- Increasing economic uncertainties
- Continuous increase in customer data usage offers opportunities for sustainable growth
- Absolute determination to enhance network excellence
- Wholehearted commitment to deliver superior customer care
- Cost discipline without compromising quality
- FY16 CAPEX guidance : $600m - $650m
- Barring unforeseen circumstances, the Board intends to keep FY16 absolute dividend per share same as FY15

Appendix –

financial Information

Group Profit & Loss

($m)	1H FY15	2H FY15	1H FY16
Revenues	**8,673**	**9,986**	**10,228**
Cost of inventories sold	(5,675)	(7,032)	(7,404)
Staff costs	(356)	(385)	(351)
Other operating expenses	(1,172)	(1,106)	(1,096)
EBITDA	**1,469**	**1,463**	**1,377**
Depreciation, amortisation & disposal	(846)	(842)	(791)
EBIT	**623**	**621**	**587**
Net finance costs	(59)	(54)	(100)
Profit before income tax	564	567	486
Income tax expense	(96)	(99)	(87)
Profit after income tax	467	468	399
Non-controlling interests	(1)	1	4
Net profit	**466**	**469**	**403**
ROCE(1)	17%	17%	16%
ROE(2)	28%	25%	21%

(1) ROCE = EBIT / Average capital employed (total assets less current liabilities)
(2) Net profit / Average shareholders' equity

Group Balance Sheet

($m)	Jun 15	Dec 15
Fixed assets	3,340	3,162
Held-to-maturity debt securities [1]	-	867
Intangible assets	2,319	2,100
Other non-current assets	120	120
Cash & bank balances [1]	4,145	3,128
Other current assets	891	1,462
Bank borrowings [1]	(1,443)	(1,381)
Notes payable [1]	(1,526)	(1,527)
Customer prepayments and deposits	(773)	(828)
Other current liabilities	(2,611)	(2,679)
Other non-current liabilities	(553)	(399)
Net assets	**3,908**	**4,025**
Share capital	106	106
Reserves	3,745	3,866
Total equity attributable to equity holders	3,851	3,972
Non-controlling interests	57	53
Total equity	**3,908**	**4,025**
[1] *Cash & bank balances*	*4,145*	*3,128*
Held-to-maturity debt securities	*-*	*867*
Bank Borrowings	*(1,443)*	*(1,381)*
Notes payable	*(1,526)*	*(1,527)*
Net cash balance	*1,176*	*1,086*
[2] *Shares in issue at balance sheet date (million)*	1,057	1,062
[3] *Net book value per share*	*$3.6*	*$3.7*

SmarTone