

SmarTone Telecommunications Holdings Ltd.

FY09 Interim Results Presentation

For the six months ended 31 December 2008

Douglas Li
CEO

25 February 2009

Agenda

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

Results highlights

Key highlights

- Service revenue dropped by 0.6% under a very challenging economic environment
 - Continuing price competition
 - Decline in roaming revenue
 - Data revenue continued to grow, up 20%
- EBITDA dropped by 12% & net profit fell by 68%
- Continuing network upgrade for higher data speed & capacity
- Expanding our broadband and fixed-line services to generate new revenue

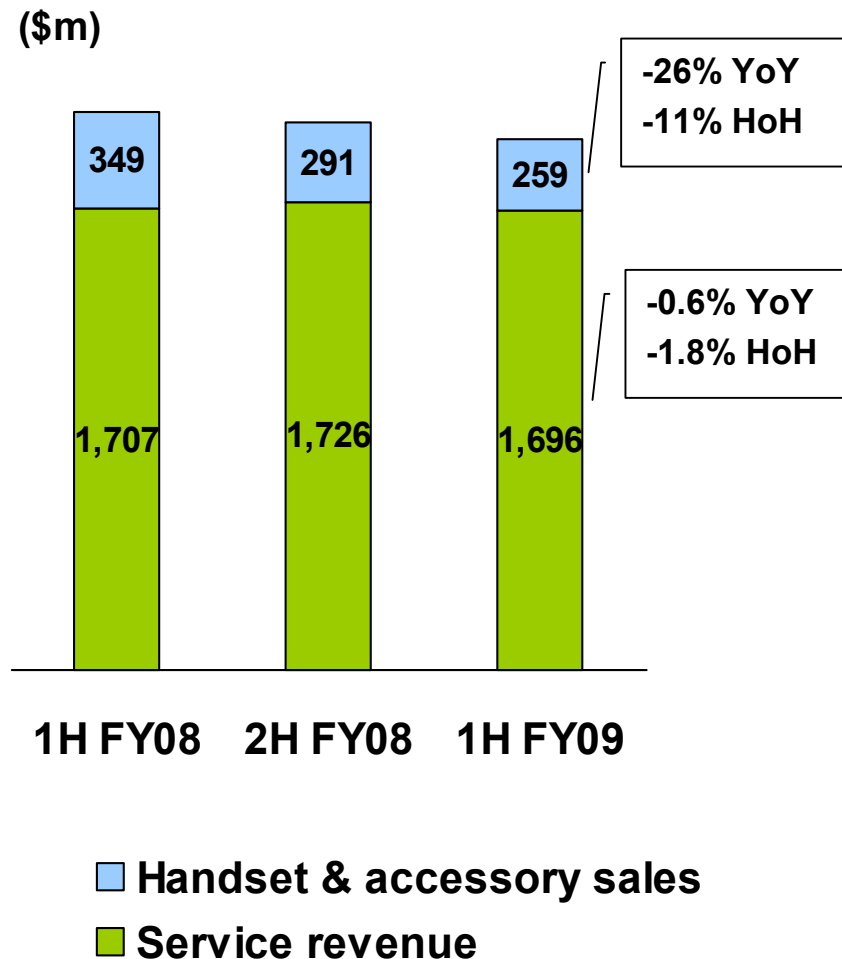
Financial highlights

(\$m)	1H FY08	2H FY08	1H FY09	
Service revenue	1,707	1,726	1,696	-0.6% YoY -1.8% HoH
Cost of services provided	(350)	(350)	(350)	
Gross profit - service	1,356	1,376	1,346	-0.8% YoY -2.2% HoH
Handset & accessory sales	349	291	259	
Cost of inventories sold	(339)	(285)	(252)	-12% YoY -10% HoH
Gross profit - handset	10	7	6	
OPEX	(815)	(846)	(870)	
EBITDA	551	537	482	-51% YoY -40% HoH
Depreciation, amortisation & disposal loss	(360)	(383)	(389)	
EBIT	191	153	93	-68% YoY -54% HoH
Net finance income / (costs)	10	(17)	(19)	
Income tax expense	(24)	(7)	(9)	
Minority interests	(15)	(15)	(12)	
Net profit	161	115	52	-0.2 pp YoY -0.4 pp HoH
Gross margin - service	79.5%	79.7%	79.3%	-2.1 pp YoY -1.9 pp HoH
Gross margin - handset	2.8%	2.3%	2.4%	
EBITDA margin	26.8%	26.6%	24.7%	

Financial review

Revenues

(\$m)	1H FY08	2H FY08	1H FY09
Revenues	2,056	2,018	1,955
Cost of inventories sold & services provided	(690)	(635)	(603)
OPEX	(815)	(846)	(870)
EBITDA	551	537	482
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Service revenue ↓ 0.6% YoY

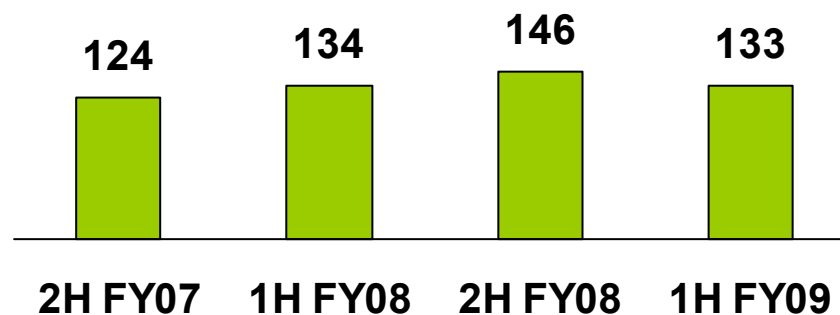
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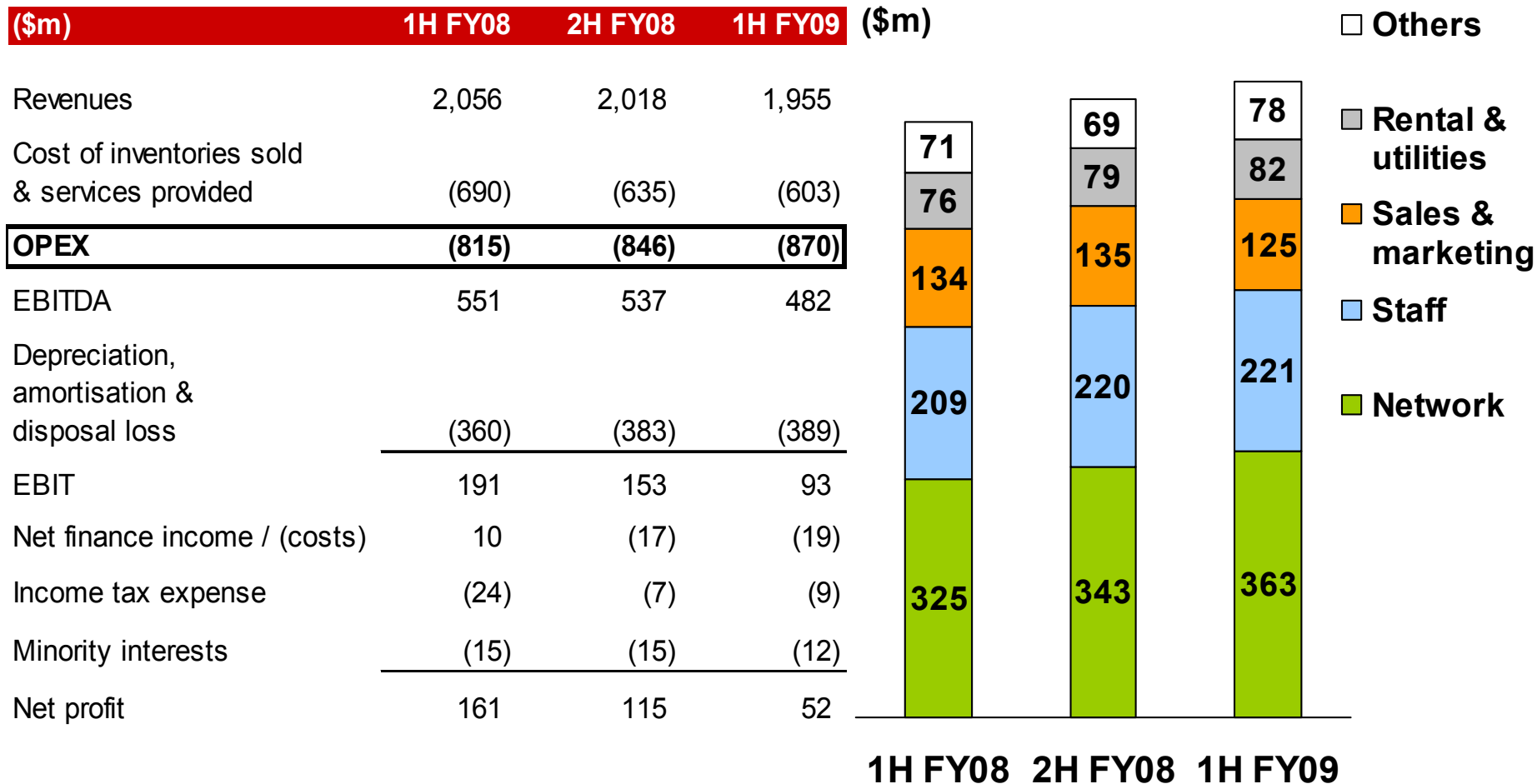
Breakdown of cost of inventories sold & services provided

(\$m)	1H FY08	2H FY08	1H FY09
COGS (before capitalisation)	(473)	(431)	(385)
Handset subsidy capitalised	134	146	133
COGS (after capitalisation)	(339)	(285)	(252)
Cost of services provided	(350)	(350)	(350)
Total	(690)	(635)	(603)

Handset subsidy capitalised (\$m)



OPEX



Mainly driven by continuing upgrade in data speed and capacity, and rollout of fibre backhaul transmission

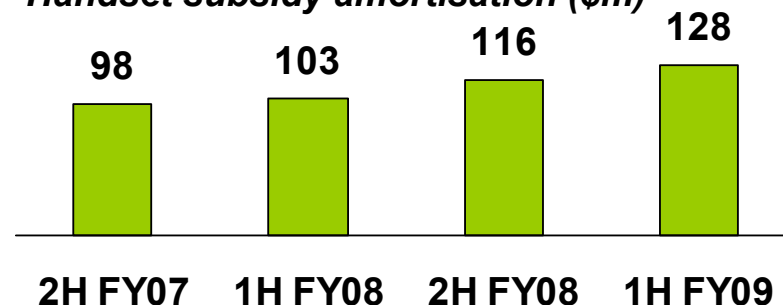
Depreciation & amortisation

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Breakdown of depreciation, amortisation & disposal loss

(\$m)	1H FY08	2H FY08	1H FY09
Depreciation & disposal loss	(225)	(235)	(229)
Amortisation of intangible assets			
Licence fee (3G & 2G)	(32)	(32)	(32)
Handset subsidy	(103)	(116)	(128)
Total	(360)	(383)	(389)

Handset subsidy amortisation (\$m)



Net finance income / (costs)

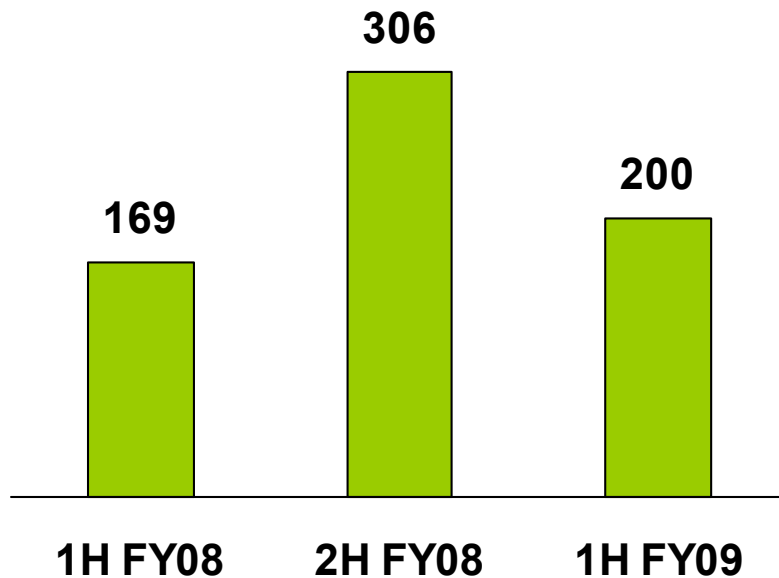
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Breakdown of net finance income

(\$m)	1H FY08	2H FY08	1H FY09
Finance income	53	24	23
Finance costs			
Deemed finance charges for 3G & 2G licence fee (HKAS 38)	(40)	(40)	(41)
Deemed finance charge for asset retirement obligations (HKAS 16) & others	(3)	(0)	(1)
Total	10	(17)	(19)

CAPEX

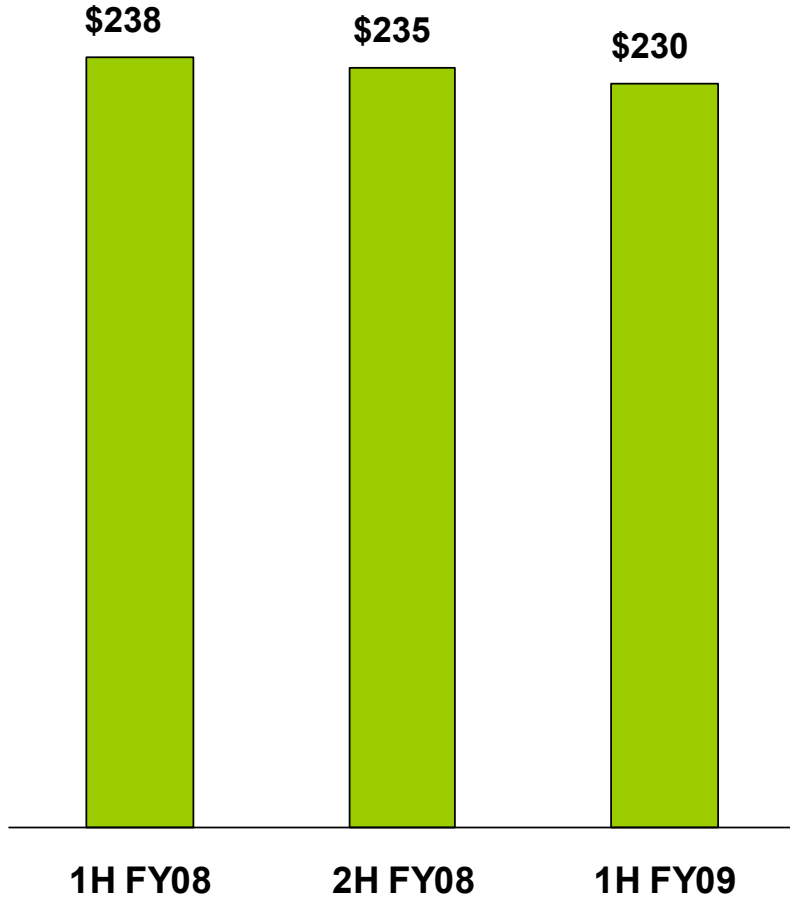
(\$m)



- Enhancement of network coverage, quality & capacity
- Continued migration of core network backbone to all-IP
- Launch of new services

Operational review

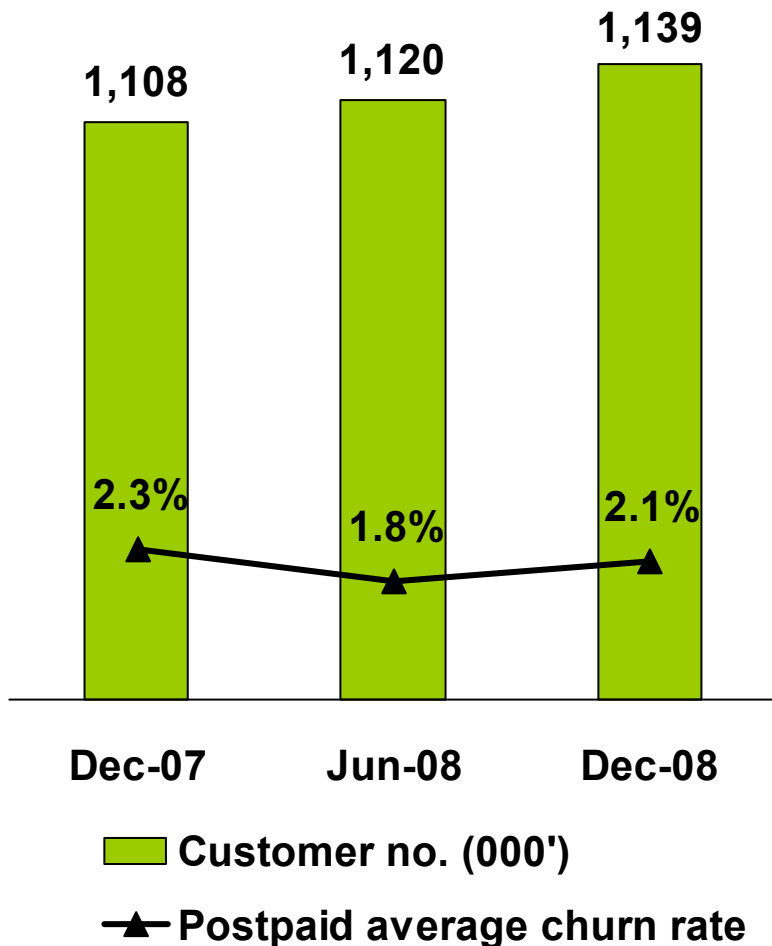
Blended ARPU



Dropped 3%

- Continuing price competition
- Lower roaming usage after the onset of financial markets turmoil

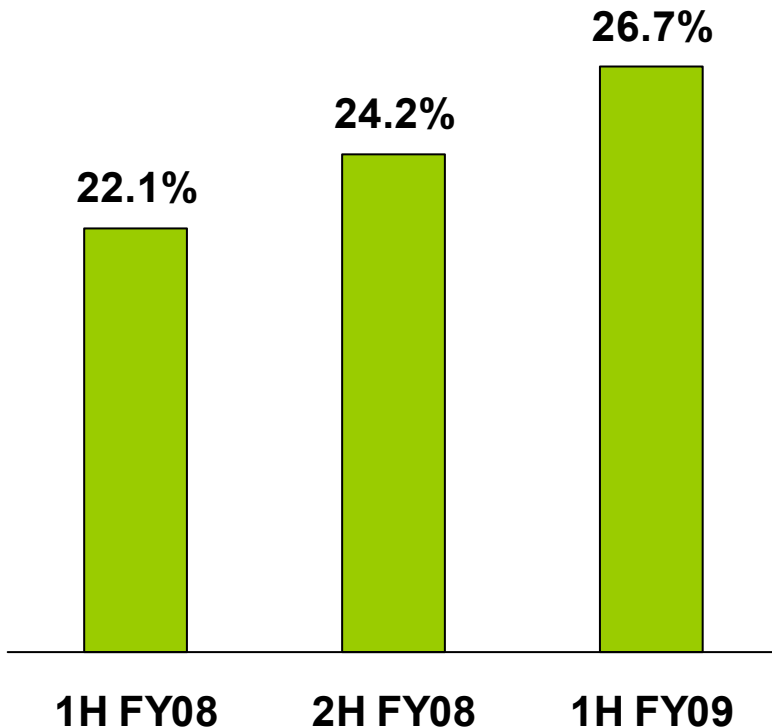
Customer base



- Customer number increased modestly to 1.14 million
- Postpaid churn rate was stable around 2%

Data revenue

Data contribution (% of service revenue)



- Continuing growth
 - ↑ 20% YoY
 - Accounts for 27% of service revenue
- Multimedia services (non-SMS) accounted for two-thirds of data revenue

Addressing customers' total communications needs

Vision

**To be the quality provider of
total communications services**

How

- **Leadership in innovation and quality**
- **Differentiated propositions**
- **Unbeatable customer experience**
- **Best-in-class network performance**

What

Mobile

Broadband

Fixed-line

Operational focus

- With advances in technology, wireless is maturing to become a robust and efficient platform to provide mobile, broadband and fixed-line services
- Continue to innovate and to maintain a high service level in order to provide better value to further attract more higher-spending customers
- Stringent cost control measures in place

Extending our leadership in network performance

- Fastest wireless transmission speed in HK
 - Currently up to 14.4Mbps for download & 5.76Mbps for upload
- Network speed will be upgraded to
 - 28Mbps by mid-2009
 - 80Mbps progressively before transition to 4G LTE
- Implementation of 4G LTE (Long Term Evolution) on our 1800MHz spectrum because of its cost-to-coverage advantage over 2500/2600MHz

Outlook

Outlook

Continuing price competition

Financial markets turmoil
Global economic downturn

Lower net cash balance
Lower interest rates

Operating costs control
Selective pruning of CAPEX
through re-prioritisation of
projects

2H FY09 profitability will be
under increased pressure

- Decline in service revenue
- Drop in roaming revenue
- Higher OPEX & depreciation
- Higher handset subsidy amortisation
- Lower interest income

Revised FY09 CAPEX target
down to \$450-550m

Q&A

Thank you

Appendix

Group P&L

(\$m)	1H FY08	2H FY08	1H FY09
Revenues	2,056	2,018	1,955
COGS	(339)	(285)	(252)
Cost of services provided	(350)	(350)	(350)
Gross profit	1,366	1,383	1,352
OPEX	(815)	(846)	(870)
EBITDA	551	537	482
Depreciation, amortisation & disposal loss	(360)	(383)	(389)
EBIT	191	153	93
Net finance income / (costs)	10	(17)	(19)
Profit before income tax	200	137	74
Income tax expense	(24)	(7)	(9)
Profit after taxation	176	130	65
Minority interests	(15)	(15)	(12)
Net profit	161	115	52

Group balance sheet

(\$m)	31 Dec 07	30 Jun 08	31 Dec 08
Leasehold land	-	-	17
Fixed assets	1,777	1,847	1,803
Intangible assets	783	781	753
Other non-current assets (excl. held-to-maturity investments)	110	112	93
Cash, bank balance & held-to-maturity debt securities ⁽¹⁾	1,638	1,677	1,394
Other current assets	511	426	476
Current liabilities	(975)	(1,070)	(1,013)
Non-current liabilities	(805)	(813)	(775)
Net assets	3,037	2,960	2,746
Share capital	58	57	55
Reserves	2,941	2,874	2,652
Total equity attributable to equity holders	2,998	2,932	2,706
Minority interests	39	28	40
Total equity	3,037	2,960	2,746
⁽¹⁾ <i>Cash & bank balance</i>	1,638	1,637	1,039
<i>Held-to-maturity debt securities</i>	-	41	355
<i>Total</i>	1,638	1,677	1,394
⁽²⁾ <i>Shares in issue at balance sheet date (million shares)</i>	577	573	546
⁽³⁾ <i>Net book value per share</i>	\$5.2	\$5.1	\$5.0

Financial ratios & operating indicators

	1H FY08	2H FY08	1H FY09
Financial ratios			
Gross profit margin			
- service	79.5%	79.7%	79.3%
- handset	2.8%	2.3%	2.4%
EBITDA margin	26.8%	26.6%	24.7%
EBIT margin	9.3%	7.6%	4.8%
CAPEX/ Revenues	9.7%	15.2%	10.2%
Operating indicators (HK)			
Blended ARPU (period average)	\$238	\$235	\$230
Customer number ('000, end of period)	1,108	1,120	1,139
Churn rate (period average)	2.3%	1.8%	2.1%

The end