



FY05 Interim Results Presentation

For the six months ended 31 December 2004

Douglas Li, CEO



28 February 2005

Agenda

- Overview
- Key financials & operating indicators
- Business review
- Outlook
- Q&A

Overview



Key highlights

- Strong operational performance – growth in services revenue & ARPU
- 3G services launch – higher OPEX, depreciation & amortisation
- Partnership with Vodafone – sharpening our competitive edge

P&L summary

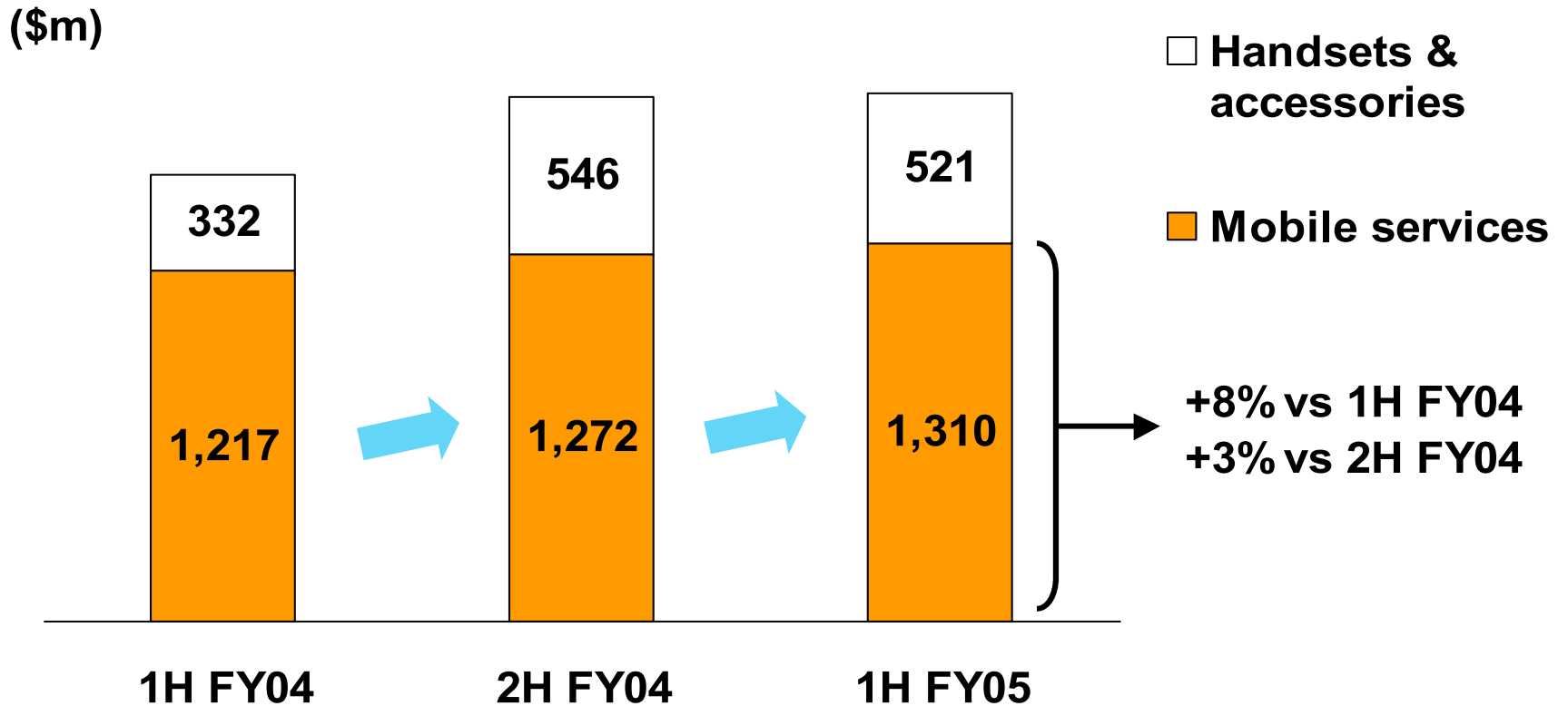
(\$m)	1H FY05	Vs	Vs
		1H FY04	2H FY04
Turnover	1,831	18%	1%
EBITDA	455	2%	-3%
Net profit	226	-4%	-2%
Basic EPS	\$0.39	-3%	-3%
Interim DPS	\$0.19	-5%	N.A.

***Improving top line performance
outweighed by increased cost from 3G***

Key financials & operating indicators

The background features a light blue gradient with a stylized graphic. On the left, there are two hands, one above the other, rendered in a darker blue. To the right of the hands are two large, concentric spiral patterns, also in a darker blue, resembling stylized eyes or abstract shapes.

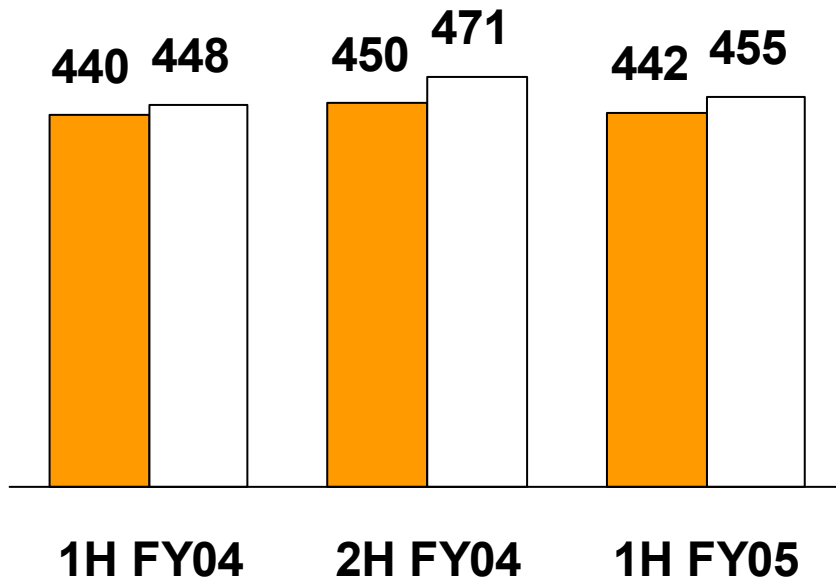
Turnover



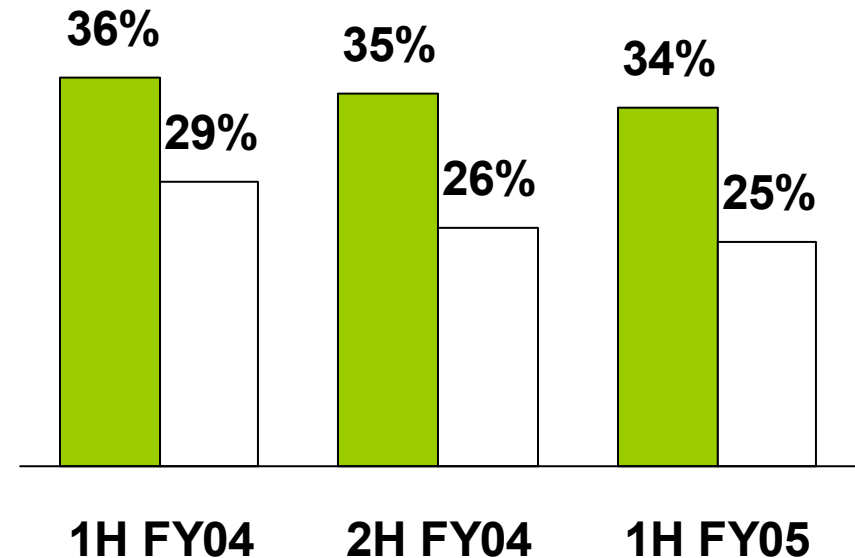
***Continuing growth in services revenue
driven by improving customer profile***

EBITDA

EBITDA (\$m)



EBITDA margin

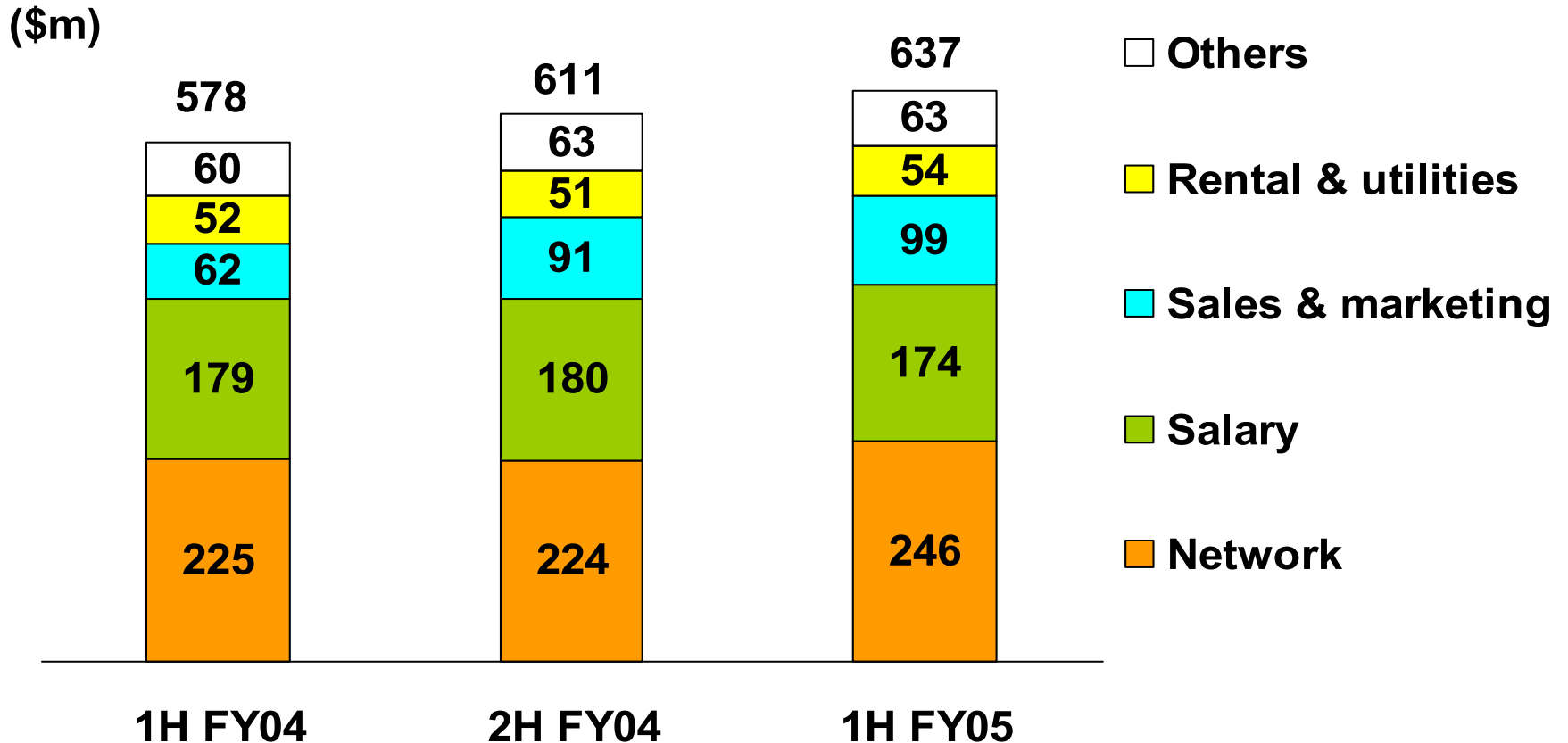


■ Mobile Services □ Group Total

■ Mobile Services □ Group Total

***Rising revenue counterbalanced by cost increase
Growth in handset business diluted Group EBITDA margin***

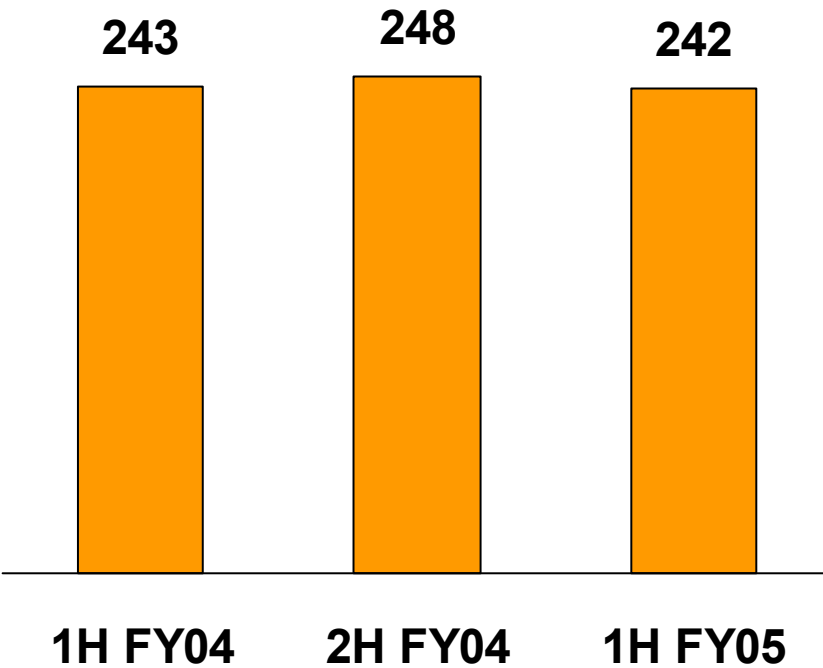
OPEX



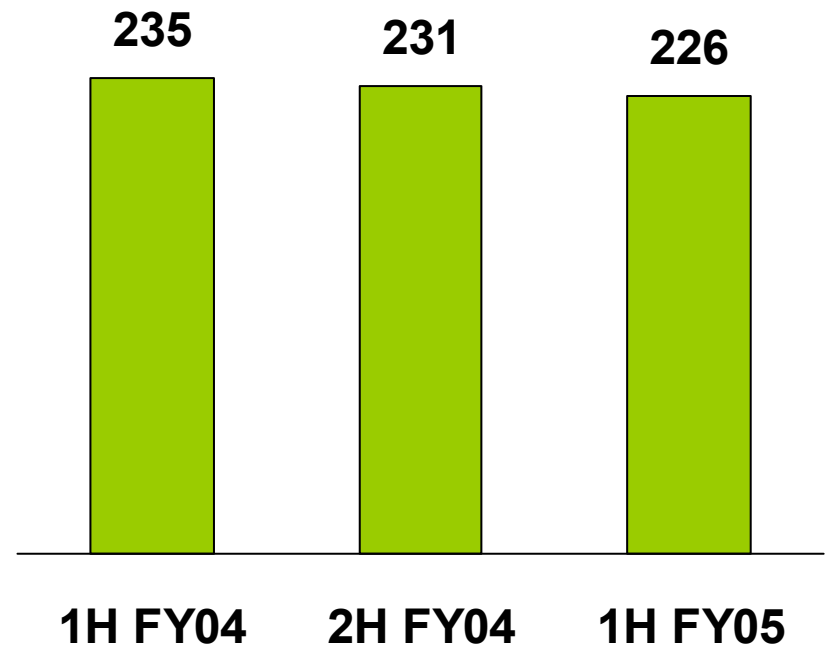
Higher OPEX due to 3G & other marketing activities

EBIT & net profit

EBIT (\$m)



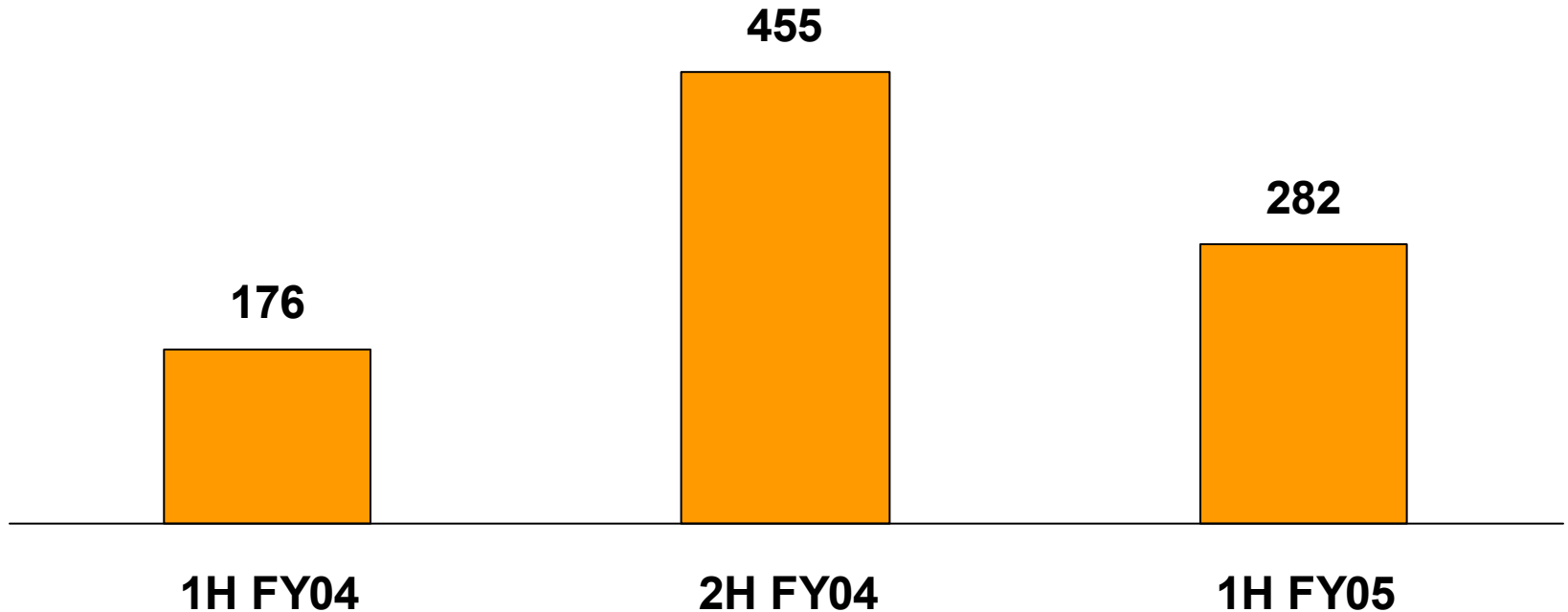
Net profit (\$m)



Absorbing 3G costs

CAPEX

(\$m)



* Excluding 3G spectrum utilisation fee

3G coverage & quality equivalent to 2G by March 05

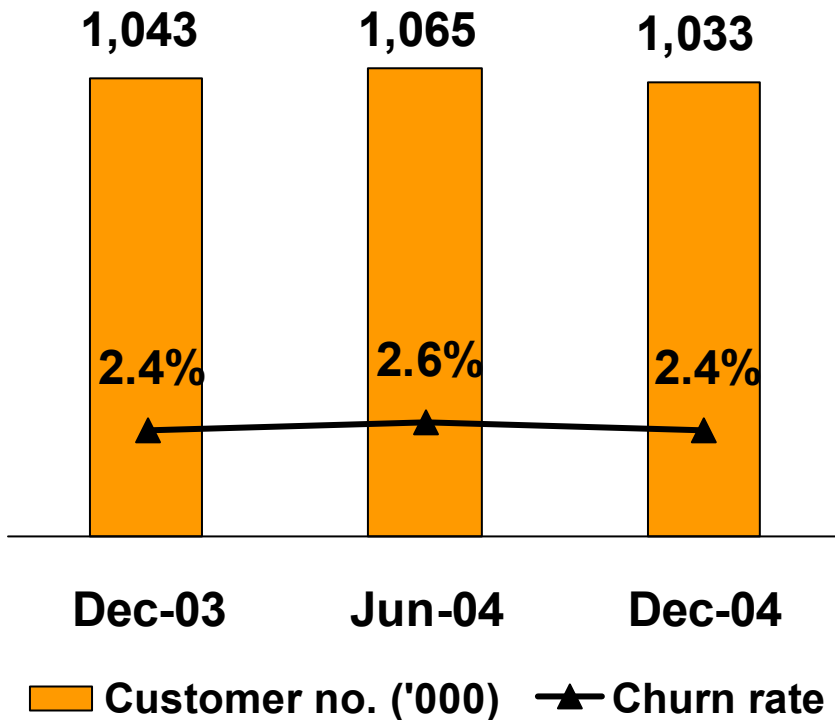
ARPU



* All figures are related to HK mobile business

Continuing rise in ARPU

Customer base

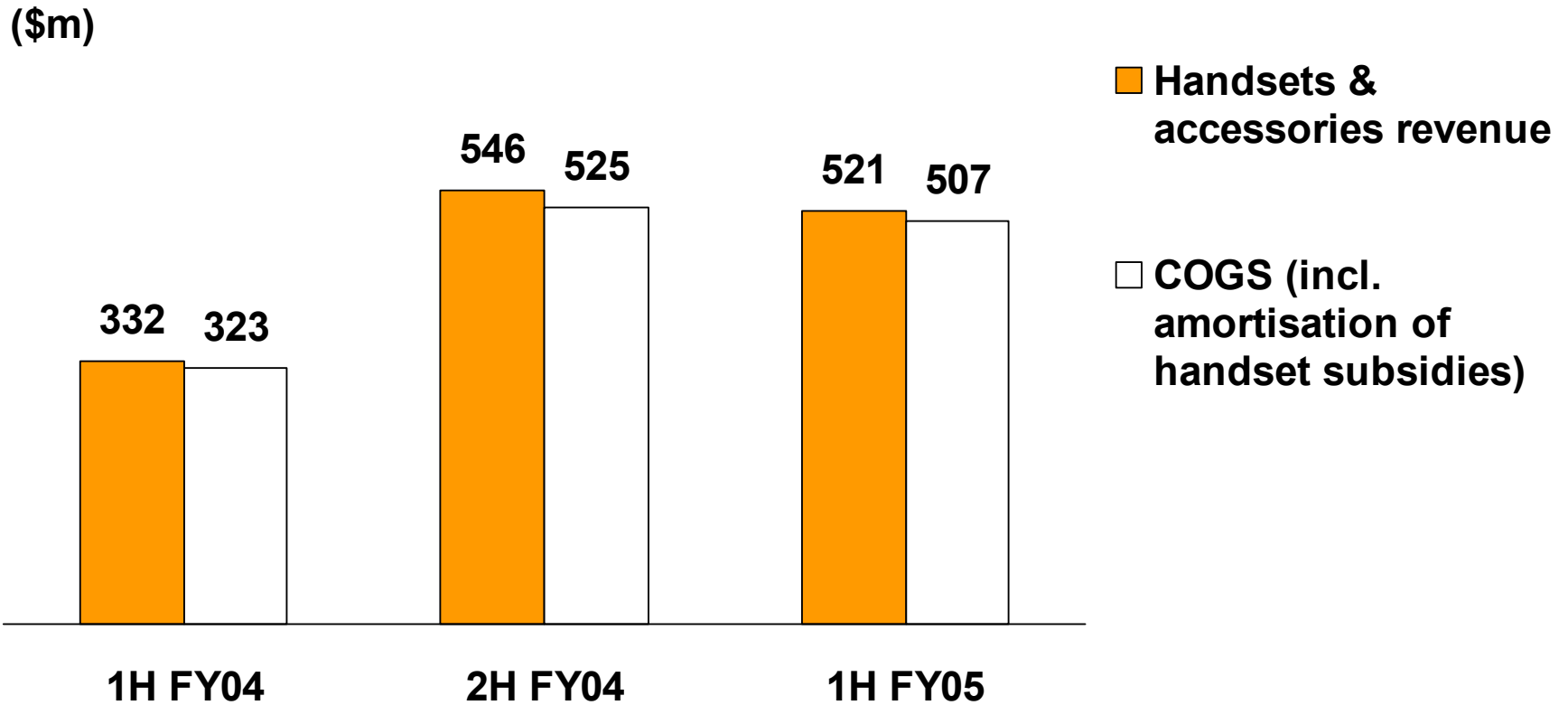


- Small reduction
- Improving customer profile
 - Higher spending customers
 - Greater propensity to use data services
- Churn rate below industry average

* All figures are related to HK mobile business

Customer quality is key to revenue & profit growth

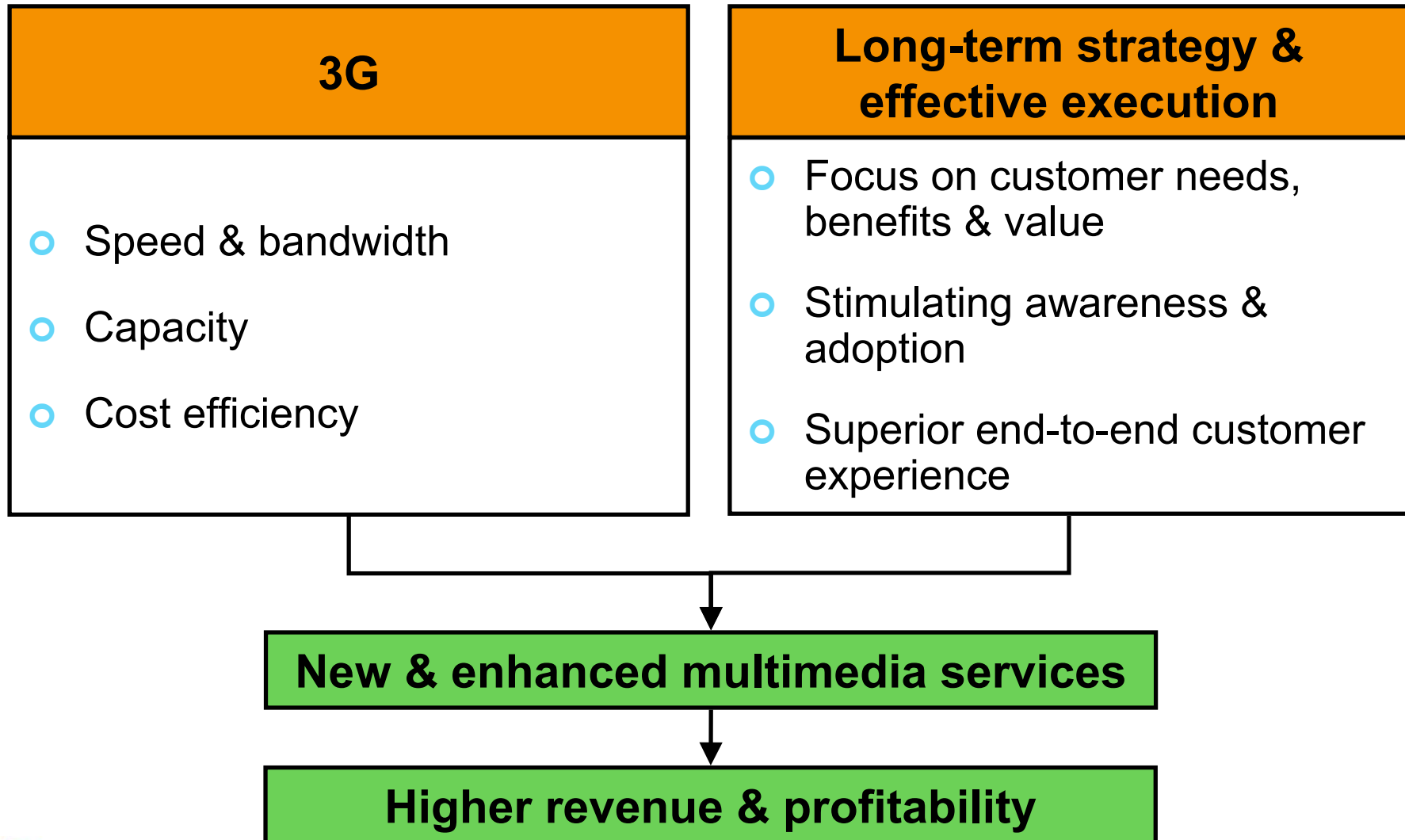
Handsets business



Business review

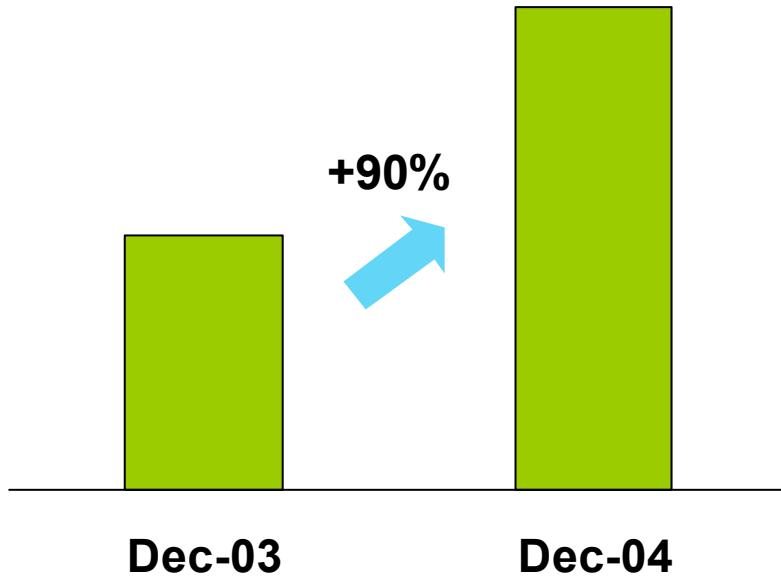


3G is important for growth

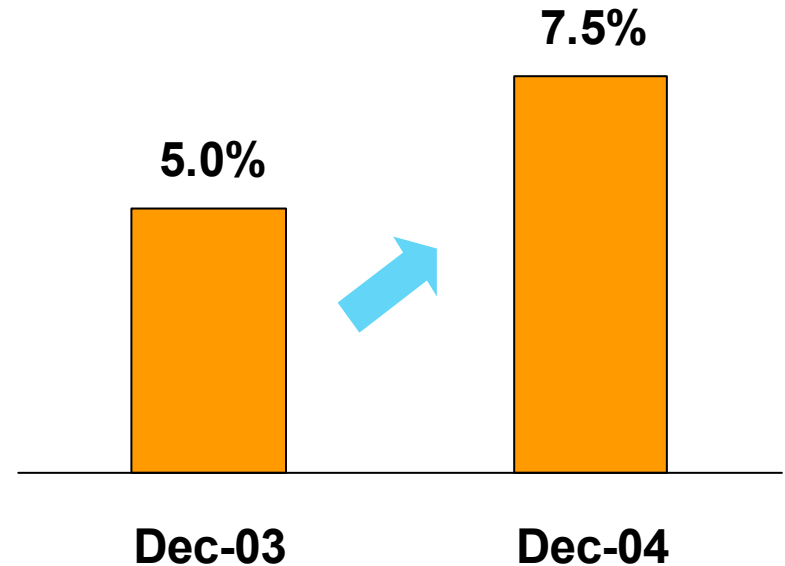


Trend in multimedia services adoption

Multimedia revenue



Data contribution
(% of services revenue)



* All figures are related to HK mobile business

***Strong growth in multimedia revenue
driving the increase in data revenue***

Trend in multimedia services adoption

Active SmarTone iN customer in Dec 04

- ~19% of postpaid customer base
- ~38% of total addressable market – customers with colour display handsets

An expanding multimedia usage penetration

Our strong customer propositions

- Differentiated content & services
- Best-in-class handsets
- Better value & transparent pricing
- Most reliable 3G network

***Extending our leadership
in the continuing evolution of multimedia services***

Differentiated content & services

SmarTone iN on 3G

- Breadth & depth of relevant content & services
- Richer customer involvement in key areas – e.g. sports, news, music & games
- Enhanced browsing experience – e.g. easier access to favourite content & services

More than just mobile content

SmarTone PC Connect

- Best-in-market mobile working solution
 - 3G / GPRS data card
 - Easy-to-use on-screen console
- High-speed & reliable access to services
 - Internet
 - Emails
 - Company intranet applications
 - News & travelers' guide

More than just a datacard

Best-in-class handsets

- Models from the popular brands
- Exclusive customised SmarTone iN handsets
 - Leverage on our success in co-developed handsets
 - Extend our partnership to a number of manufacturers
 - Offer best-in-class handsets for targeted segments
 - Relevant propositions
 - Different price points

Widest choice for customers

Best-in-class handsets

- Fundamental requirements for SmarTone iN handsets
 - High definition display
 - High performance camera
 - Expandable memory
 - Good battery life
- Sanyo S103, Sharp SX813 and more to come ...

Sanyo S103

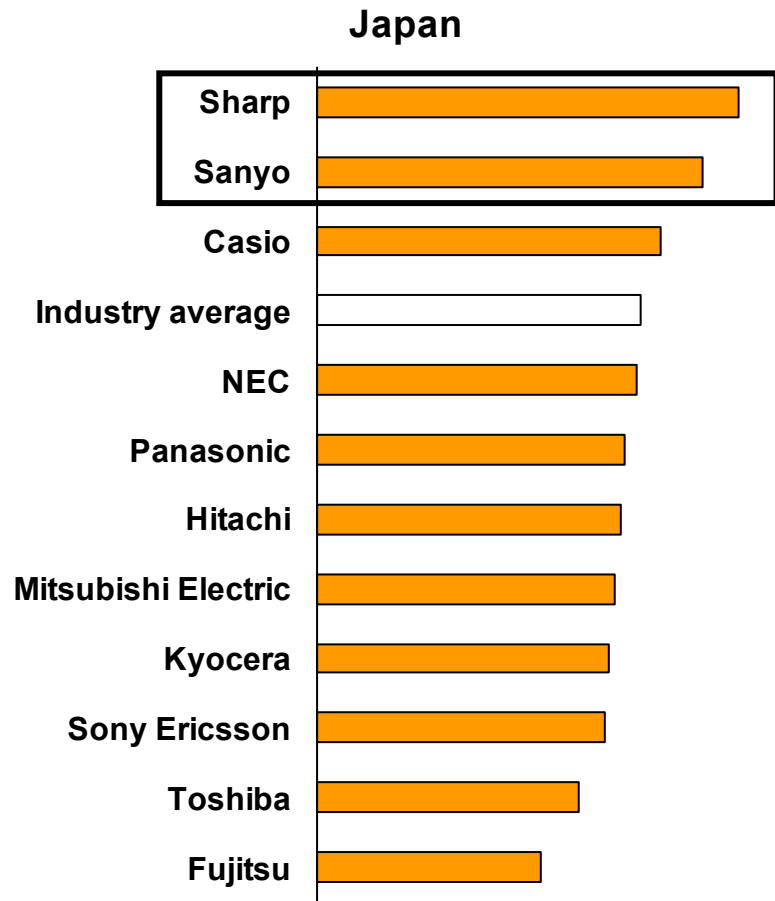


Sharp SX813

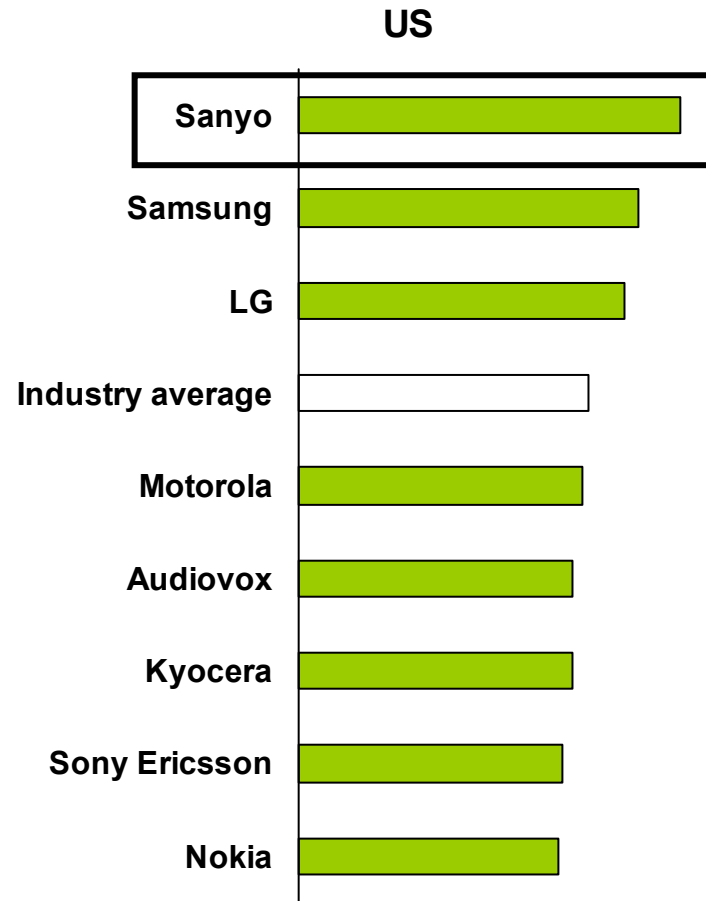


Best-in-class handsets

Customer satisfaction index ranking



Source: J.D. Power Asia Pacific 2004 Japan Mobile Telephone Handset Satisfaction Study SM



Source: J.D. Power and Associates 2004 U.S. Wireless Mobile Phone Evaluation Study SM

Better value & transparent pricing

- Free offerings bundled in 3G price plans
 - Popular video content – TVB 24-hour news, Reuters & CNN Quickcast
 - Basic content – e.g. financial news, sports channels & Apple Daily
 - Browsing within SmarTone iN on 3G portal
- Simplicity, transparency & predictability
 - Event-based or time-based charging
 - No per KB or per packet charge
 - No artificial charging units – no confusion to customers

Much better value than 2G & competitors' 3G plans

Most reliable 3G network

- Territory-wide 3G coverage at launch
- Unmatched reliability & stability
 - Voice quality
 - Data rate
 - Service setup time

Commitment to best network quality

Upgraded all customer touchpoints

- Improvements for both front-of-house & back-of-house operations
- Key projects
 - New shop design & service upgrade at retail outlets
 - New billing system
 - Enhanced CRM system

***A step up in total customer experience
Better marketing for 3G-enabled services***

Partnership with Vodafone

- Combine the best of local & global
- Further enhance our customer propositions to all targeted segments
- Deliver a wider range of products & services
 - Shorter time-to-market
 - Lower costs
- Higher revenue market share

Wind on our back

Outlook



Market environment

- Shift to 3G set to accelerate in 2005 with increasing availability of handsets & new services
- Performance gap between 3G & 2.5G / EDGE to widen, especially when high bandwidth services become widely adopted
 - Customer experience
 - Network economics
- Opportunities to increase revenue market share using 3G

Key operational focus

- Exploit the growing advantage of 3G over 2.5G / EDGE
- Deliver the best customer-focused experience with 3G
 - Best-in-class handsets
 - Differentiated, compelling services & content

Outlook

- Short-term pressure on margins due to 3G
 - Higher revenue offset by higher costs & handset subsidies
- Maintain FY05 CAPEX budget of \$700m

Q&A



get closer



Smartone

Appendix



Group P&L

(\$m)	1H FY04	2H FY04	1H FY05
Turnover	1,549	1,818	1,831
COGS	(323)	(525)	(507)
Cost of services	(199)	(212)	(231)
Gross profit	1,026	1,081	1,092
Operating expenses	(578)	(611)	(637)
EBITDA	448	471	455
Depreciation & loss on disposal	(205)	(222)	(213)
EBIT	243	248	242
Net finance income	33	26	26
Profit before taxation	276	275	268
Taxation	(39)	(40)	(38)
Profit after taxation	237	235	231
Minority interest	(2)	(4)	(5)
Net profit	235	231	226

Group balance sheet

(\$m)	30 Jun 04	31 Dec 04
Assets		
Fixed assets & other non-current assets	2,020	2,112
Cash, bank balance & debt securities	2,223	1,987
<i>Cash & bank balance</i>	654	562
<i>Debt securities</i>	1,570	1,425
Other current assets	458	506
Unsecured bank borrowings	(150)	(170)
Other liabilities	(1,065)	(909)
Minority interest	(21)	(27)
Net assets	3,466	3,499
Capital and reserves		
Share capital	58	58
Reserves	3,408	3,441
Shareholders' funds	3,466	3,499
<i>Net cash, bank balance & debt securities</i>	2,073	1,817
<i>Shares in issue at balance sheet date (million shares)</i>	583	583
<i>Net book value per share</i>	\$5.9	\$6.0

Financial ratios & operating indicators

	1H FY04	2H FY04	1H FY05
Financial ratios			
EBITDA margin (Group Total)	29%	26%	25%
EBITDA margin (Mobile Services)	36%	35%	34%
EBIT margin (Group Total)	16%	14%	13%
EBIT margin (Mobile Services)	19%	18%	17%
ROE (with cash) - annualised ⁽¹⁾	11%	14%	13%
ROE (without cash) - annualised ⁽²⁾	29%	29%	26%
CAPEX / Sales ⁽³⁾	11%	25%	15%
Operating indicators (HK mobile)			
Blended ARPU (period average)	\$188	\$189	\$196
Blended ARPU (last month of the period)	\$189	\$188	\$200
Postpaid ARPU (period average)	\$207	\$216	\$228
Postpaid ARPU (last month of the period)	\$212	\$217	\$234
Customer number ('000, end of period)	1,043	1,065	1,033
Churn rate (last month of the period)	2.4%	2.6%	2.4%

⁽¹⁾ ROE (with cash) = net profit / average shareholders' funds

⁽²⁾ ROE (without cash) = net profit (excl. interest) / average shareholders' funds (excl. net cash & bonds)

⁽³⁾ CAPEX excludes 3G spectrum utilisation fee