



京信通信系統控股有限公司

Comba Telecom Systems Holdings Limited

股份編號 Stock Code : 2342

STAYING AHEAD THROUGH INNOVATION IN TECHNOLOGY

PURSUING EXCELLENCE THROUGH EFFECTIVE MANAGEMENT

科技創新續領先機

效益管理再建佳績

Corporate Presentation Annual Results 2011



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Agenda

- **Financial Overview**
- **Business Overview**
- **Financial Highlights**
- **Financial Review**
- **Customer Review**
- **Business Review**
- **Open Forum**
- **Appendix**

Financial Overview

For the year ended 31 December 2011

- ▶ Revenue ↑ 22.4%
 - 2G revenue ↑ 16.1%
 - 3G revenue ↑ 38.1%
 - ▶ Gross profit margin ↓ 0.8% point
 - ▶ Net profit margin ↓ 3.6% points
-
- ▶ Exceptional items:
 - Stock provision of HK\$27.3 million
 - R&D expenses ↑ HK\$151 million
 - Awarded shares expenses of HK\$145 million
 - Gain of HK\$48 million arising from the acquisition of the PRC company

Business Overview

For the year ended 31 December 2011

► Revenue by customers

1. China Mobile ↑ 32.8%
2. China Unicom ↑ 6.6%
3. China Telecom ↓ 6.0%
4. International Customers & Core Equipment Manufacturers ↑ 23.3%

► Revenue by product segments

1. Services ↑ 29.6%
2. Antennas and Subsystems ↑ 25.1%
3. Wireless Access ↑ 22.6%
4. Wireless Enhancement ↑ 13.2%

Financial Highlights

- **Financial Results**
- **Dividend**
- **Exceptional Items**
- **Pro-forma Financial Results**
- **Financial Position**
- **Key Financial Indicators**



Financial Results

<i>HK\$'000</i>	For the year ended 31 December		
	2011	2010	Change
Revenue	6,354,218	5,191,358	+22.4%
Gross profit	2,326,697	1,939,700	+20.0%
Gross profit margin	36.6%	37.4%	(0.8%)pt
Operating profit	805,919	877,520	(8.2%)
Operating profit margin	12.7%	16.9%	(4.2%)pts
Tax	121,772	119,540	+1.9%
Profit attributable to shareholders	659,084	724,326	(9.0%)
Net profit margin	10.4%	14.0%	(3.6%)pts
Basic EPS (HK cents)	43.99	50.43 (restated)	(12.8%)

Dividend

	For the year ended 31 December		
	2011	2010	Change
Paid interim dividend per share (HK cents)	5.0	6.0	(16.7%)
Proposed final dividend per share (HK cents)	7.0	8.0	(12.5%)
Proposed special dividend per share (HK cents)	0.0	4.0	N.A.
Total dividend per share (HK cents)	12.0	18.0	(33.3%)
Weighted average number of shares (million shares)	1,521.7	1,279.4	+18.9%
Proposed / Paid total dividend (HK\$ million)	182.6	230.3	(20.7%)

Exceptional Items

- **Stock Provision**
- **Increase of R&D costs**
- **Awarded Shares Expenses**
- **Gain Arising from the Acquisition**



Exceptional Items

		Detail	Amount in 2011 (HK\$ Mn)	Remark
1	Stock provision	<ul style="list-style-type: none"> Stock provision for obsolete inventory 	27	<ul style="list-style-type: none"> One-off expense
2	Increase of R&D costs	<ul style="list-style-type: none"> Heavy spending in R&D for long term growth 	151	<ul style="list-style-type: none"> Some innovative products to be launched in 2012 Include expenses of HK\$15Mn arising from the awarded shares granted to R&D staff
3	Awarded share expenses	<ul style="list-style-type: none"> 26 million new shares were awarded to 365 qualified individuals (mainly management, sales, & R&D) at the market closing price of HK\$9.32 on 12 April 2011 	145	<ul style="list-style-type: none"> >64% of expenses of total awarded share expenses has been recognized in FY11 Expenses in FY12/ FY13/ FY14: HK\$54Mn/ HK\$23Mn/ HK\$4Mn (Expenses details in FY12, FY13 & FY14 in Appendix)
4	Gain on acquisition	<ul style="list-style-type: none"> On 20 June 2011, 100% interest of the PRC company was acquired for enlarging the product portfolio. 	(48)	<ul style="list-style-type: none"> Cash consideration of HK\$84 million for a net asset value of HK\$132 million

Pro-forma Financial Results

(Assuming NO increase of R&D costs, stock provision, awarded shares expenses and gain arising from the acquisition in 2011)

<i>HK\$'000</i>	For the year ended 31 December		
	2011	2010	Change
Revenue	6,354,218	5,191,358	+22.4%
Operating profit	1,066,251	887,861	+20.1%
Operating profit margin	16.8%	17.1%	(0.3%) pt
Tax	121,772	119,540	+1.9%
Profit attributable to shareholders	919,416	734,667	+25.1%
Net profit margin	14.5%	14.2%	+0.3% pt
Basic EPS (HK cents)	61.36	51.15 (restated)	+20.0%

Financial Position

As at 31 December

<i>HK\$'000</i>	2011	2010	Change
Net cash / (debt)	(9,603)	880,084	N.A.
Total current assets	8,402,635	6,531,582	+28.6%
Total assets	9,581,332	7,262,426	+31.9%
Total liabilities	5,498,508	3,953,401	+39.1%
Net assets	4,014,064	3,239,524	+23.9%
NAV per share (HK\$)	2.63	2.23 (restated)	+17.9%

Key Financial Indicators

	For the year ended 31 December		
	2011	2010	Change
Inventory turnover days	188	187	+1
A/R turnover days	209	176	+33
A/P turnover days	233	221	+12
Gross gearing ratio	11.7%	8.2%	+3.5% pts
Dividend payout ratio *	27.3%	32.4%	(5.1%)pts
Return on average equity	18.2%	25.1%	(6.9%) pts

* Calculation is based on basic EPS

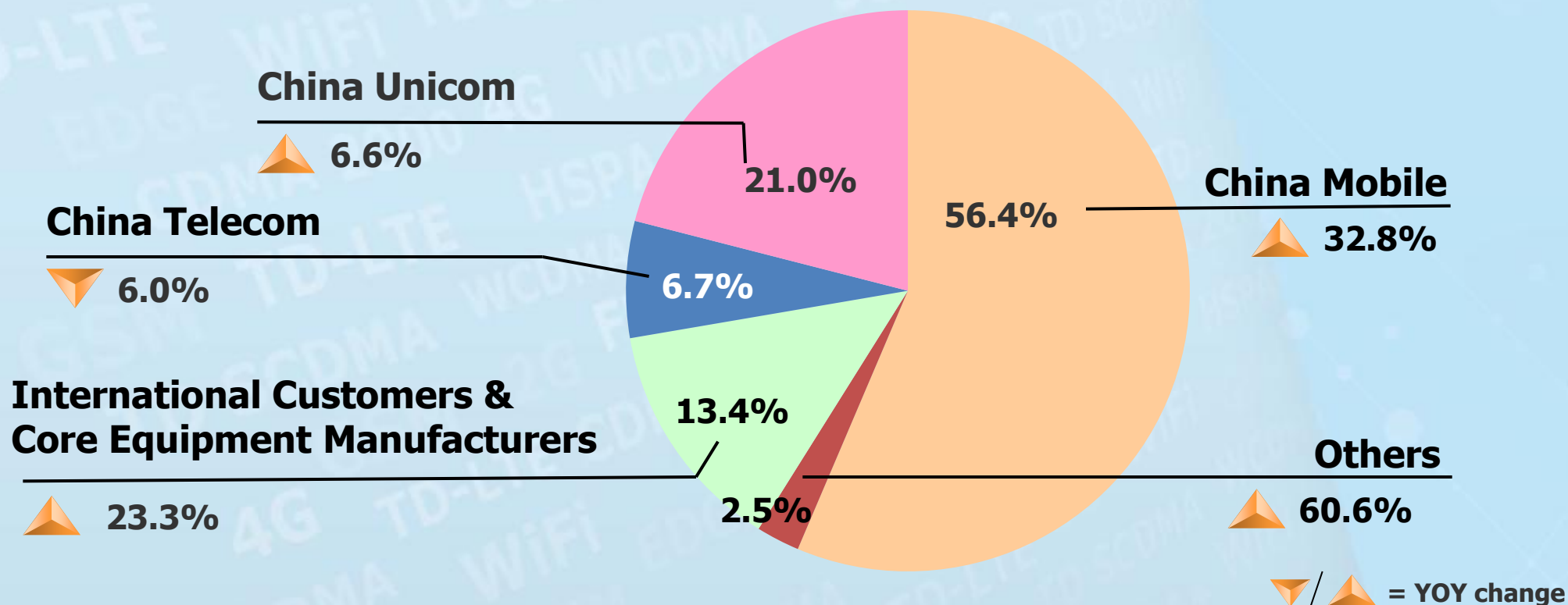
Financial Review

- **Revenue Breakdown by Customers**
- **Revenue Breakdown by Businesses**
- **Revenue Trend**
- **Gross Profit and GP Margin Trend**
- **Net Profit and NP Margin Trend**
- **Cost Structure**



Revenue Breakdown by Customers

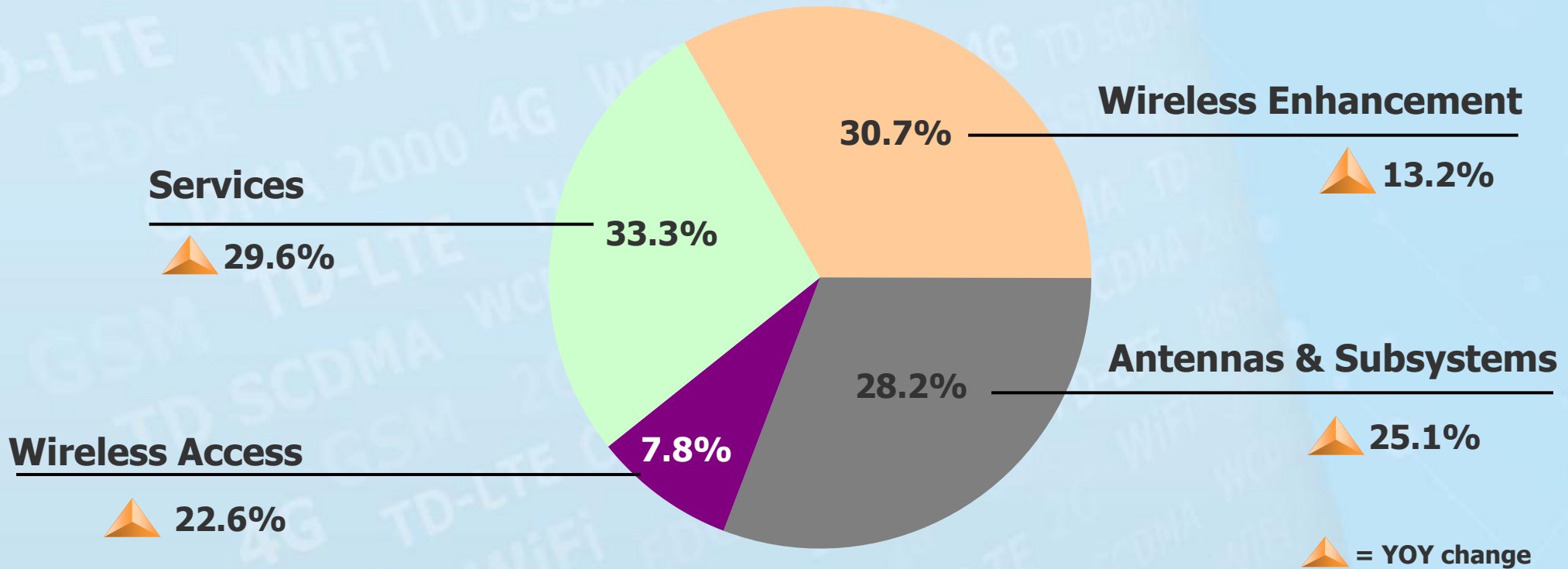
For the year ended 31 December 2011



Moderate Growth in the PRC Market with Rapid Expansion in Overseas Markets

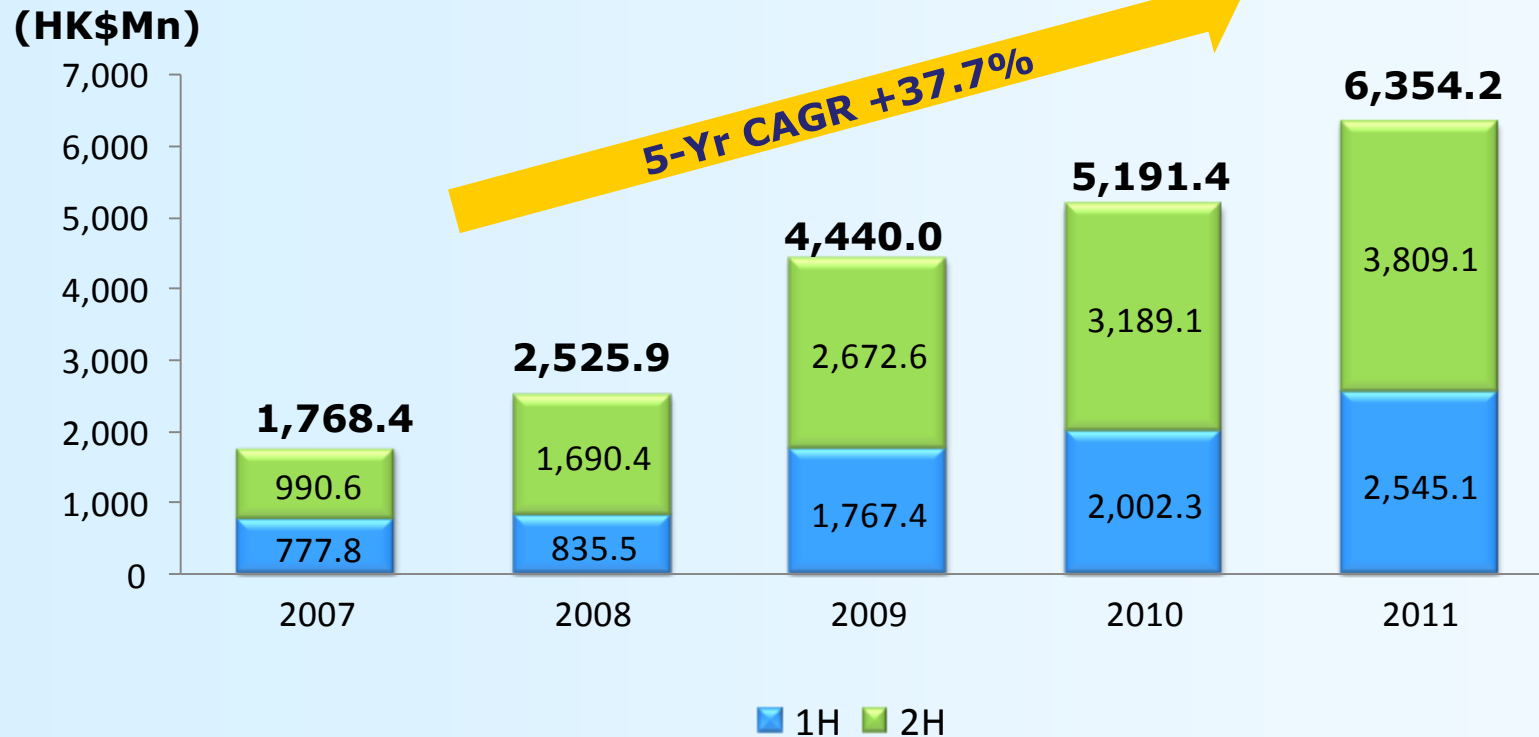
Revenue Breakdown by Businesses Comba

For the year ended 31 December 2011



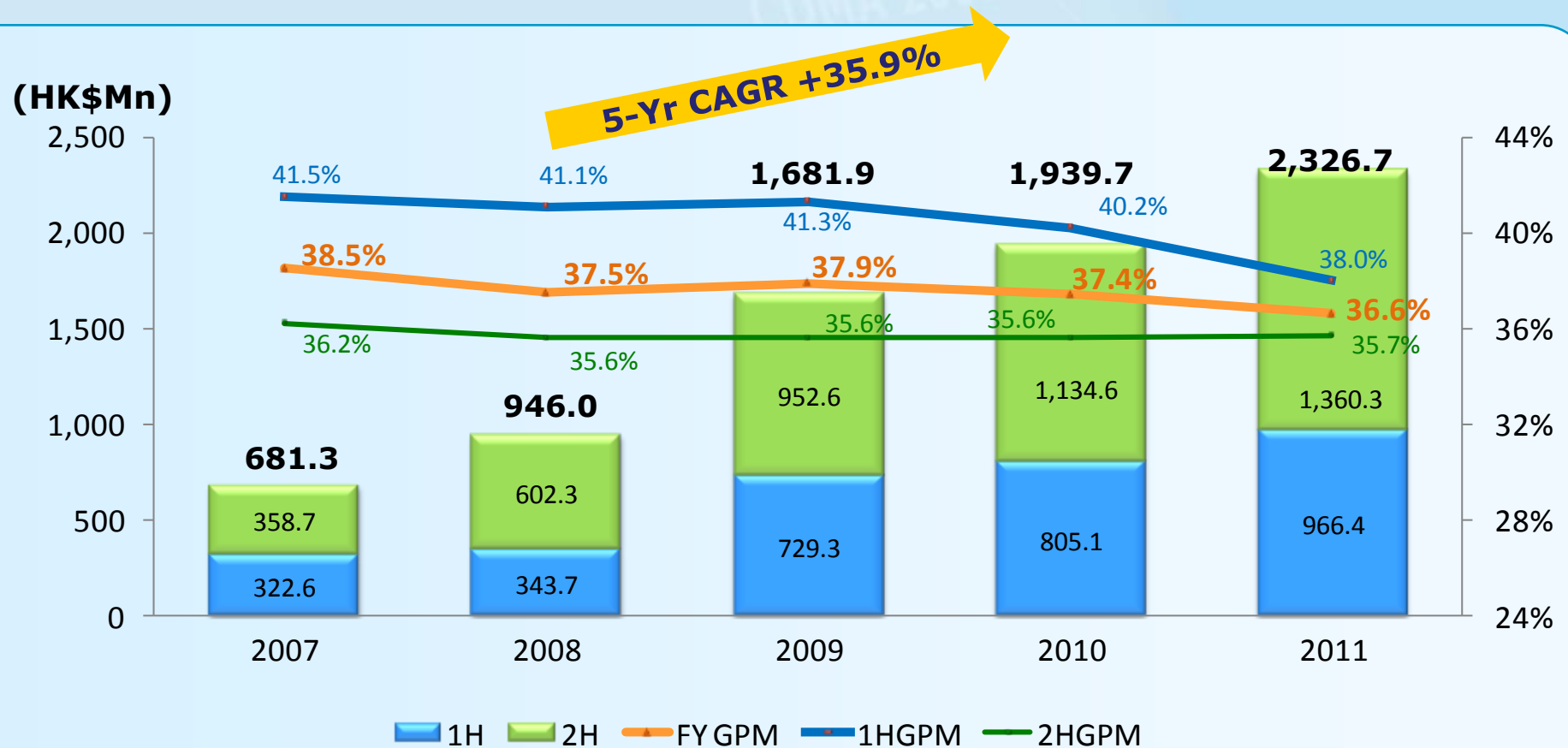
Satisfactory Growth in All Business Segments

Revenue Trend



**Sustainable revenue growth over the years &
back-end loaded revenue model**

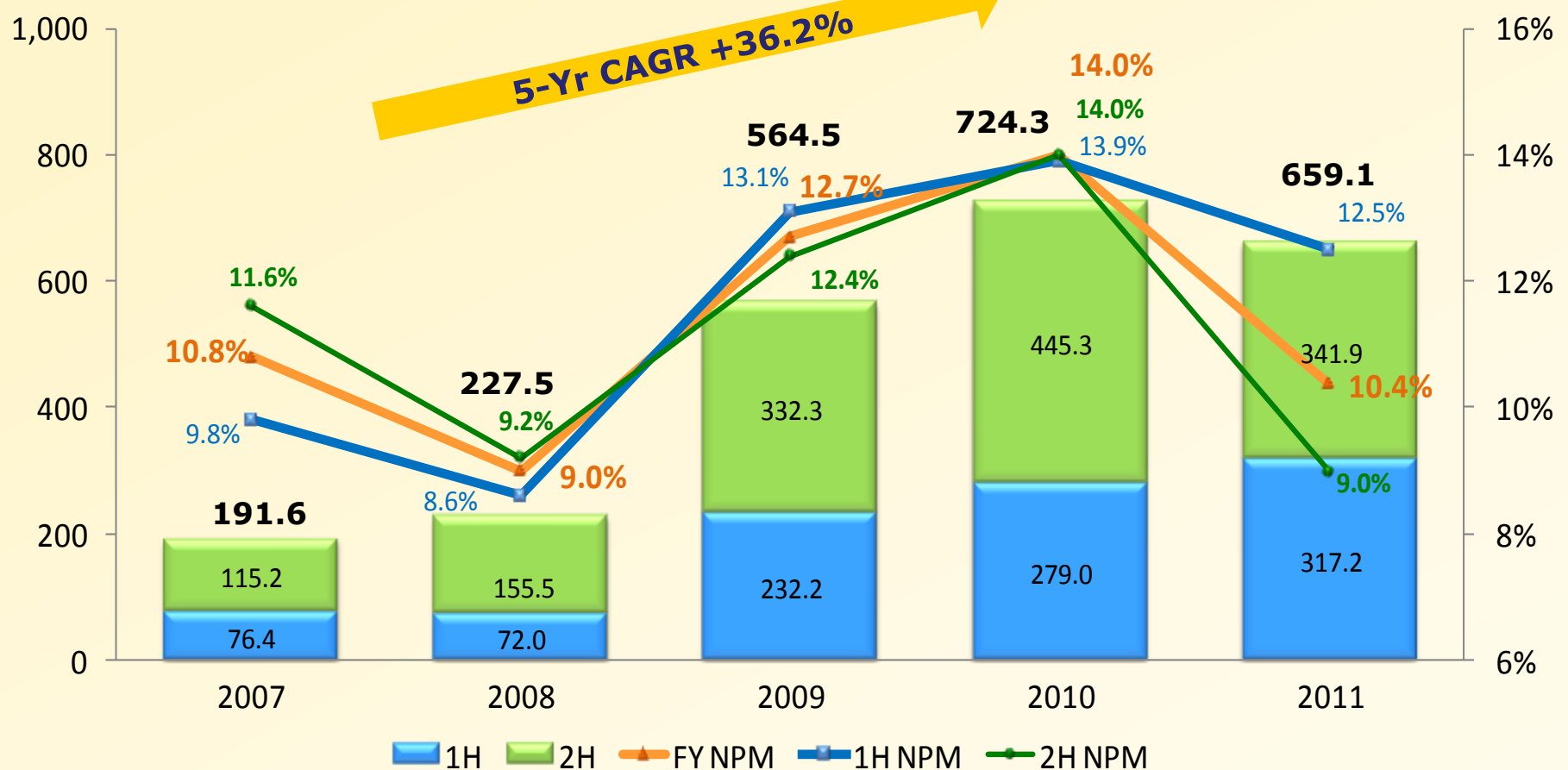
Gross Profit & GP Margin Trend Comba



Full year GP margin maintained at approximately 37%

Net Profit & NP Margin Trend

(HK\$Mn)

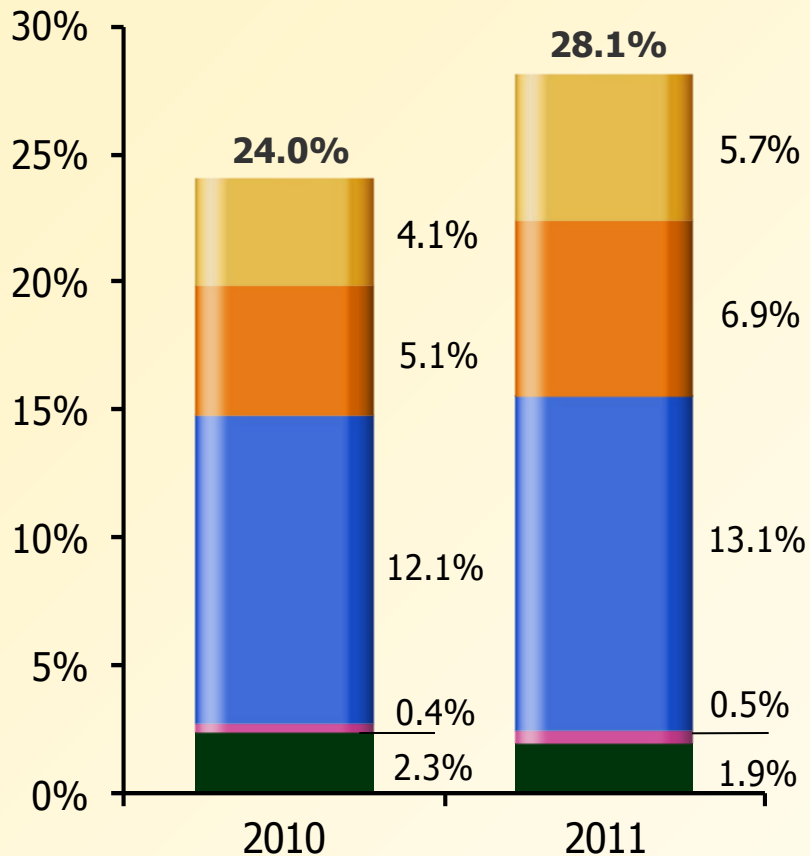


Decrease in net margin was mainly due to the exceptional items

Cost Structure

For the year ended 31 December

As % of Total Revenue



▲ = YOY change

R & D costs ▲ 71.6%

- Expansion of R&D team and development of new product offerings

Selling and distribution costs ▲ 64.6%

- Increase in staff salaries and benefits, and awarded shares expenses

Administrative expenses ▲ 32.4%

- Include most of the awarded shares expenses

Finance costs ▲ 41.4%

- Higher interest rate and more financing activities due to larger business volume

Taxation charge ▲ 1.9%

- Effective tax rate increased by 1.7% pts to 15.7%

Customer Review

- **Global Customers**
- **China Business**
- **International Customers & Core Equipment Manufacturers**



Global Customers

Comba



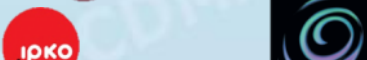
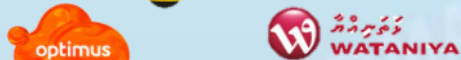
China



Core
Equipment
Vendors



EMEA



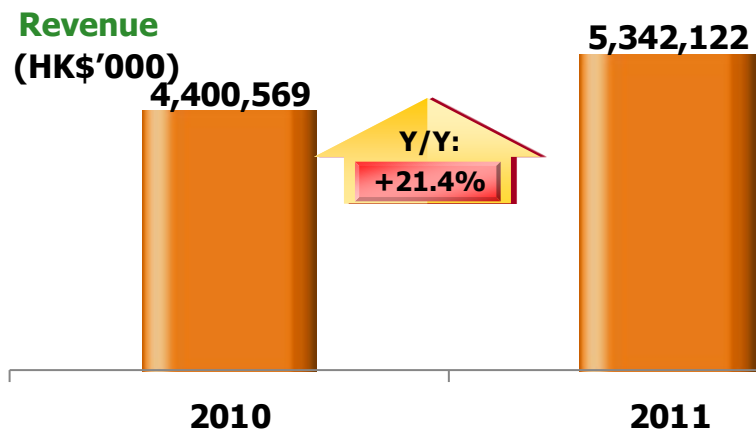
APAC



Americas



China Business



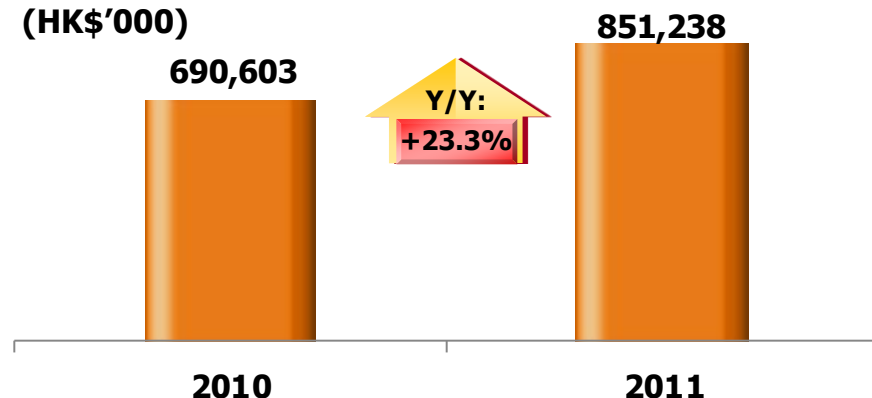
Review & Opportunities:

- Revenues increased 21% to HK\$ 5,342 million
- Continued market growth in 2011 and beyond: PRC expected to exceed 1 billion subscribers by end March 2012*
- Deeper penetration as leading *solutions partner*:
 - Long term, multi-year 2G/3G projects with operators
 - Expansion of new solutions portfolio and services to increase competitive edge
 - R&D investment in LTE and new capacity enhancements solution to meet operator demands.
- Main drivers for China business:
 - Data demands on wireless networks driven by rise of affordable smartphones
 - Ubiquitous wireless coverage

International Customers & Core Equipment Manufacturers



Revenue
(HK\$'000)



Review & Opportunities:

- ▶ Revenues up by 23% to HK\$ 851 million
- ▶ Significant growth in sales to international operators & success in penetrating core equipment vendors
 - Diversified the customer portfolio
 - Strategy of cross-selling/up-selling to customer base
 - Strategic geographic expansion through direct presence and channel partners
 - Development of innovative solutions e.g. 3G, 4G, refarming, high speed rail solutions
- ▶ Main drivers for International business:
 - Data demands and trend towards all-IP networks
 - LTE commercialization driving long term growth around the world

Business Review

- **Wireless Enhancement**
- **Antenna & Subsystems**
- **Wireless Access & Transmission**
- **Services**



Solutions for all Network Stages

Comba

Stadium/Large Venues

In-building Solutions

Scenic Areas
(Camouflaged Solutions)

Wireless Backhaul

Rural Area Solutions

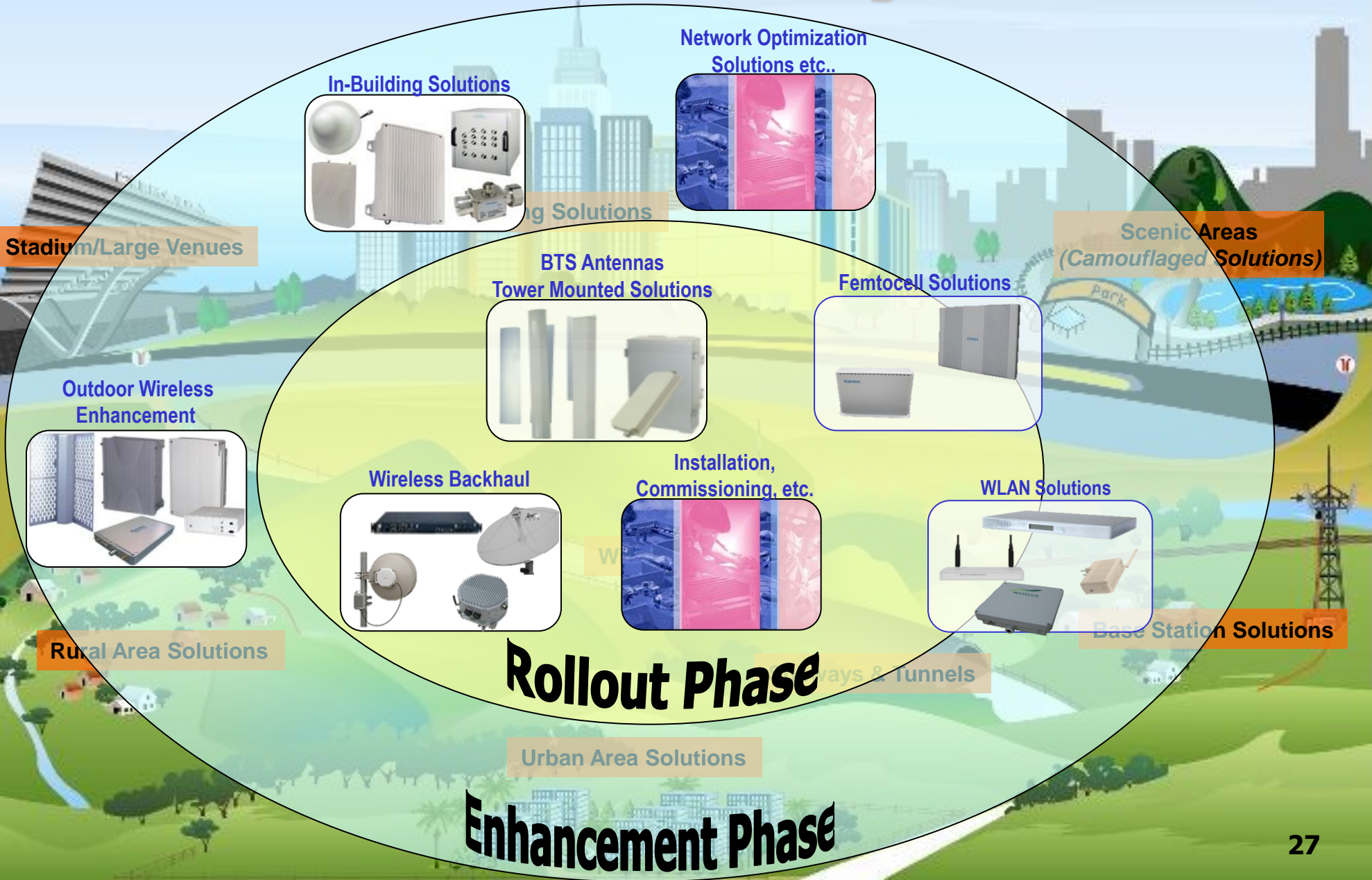
Base Station Solutions

Subways & Tunnels

Urban Area Solutions

Solutions for all Network Stages

Comba



Wireless Enhancement



Active DAS
(Med/Large Venue)



Remote Radio Units

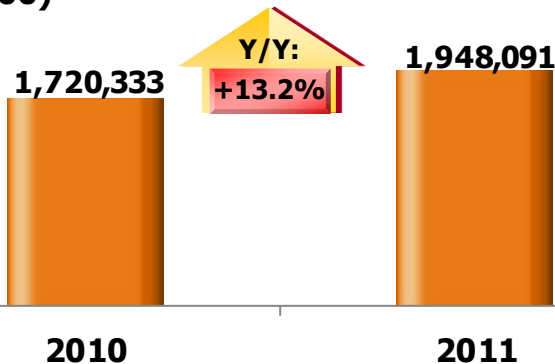


Repeaters



Passive DAS
(Small Venue)

Revenue
(HK\$'000)



Review & Opportunities:

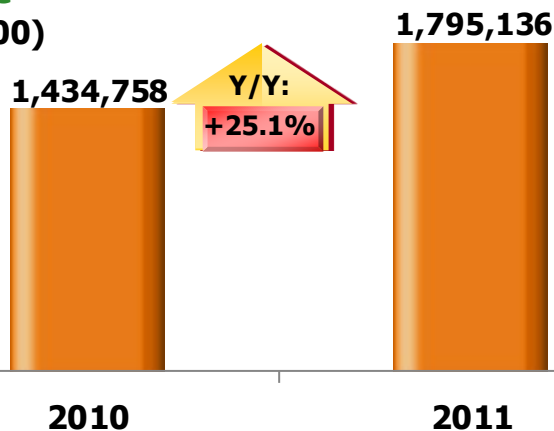
- ▶ Revenues increased by 13% to HK\$ 1,948 million
- ▶ China 2G and 3G network buildout and enhancement driving demand for enhancement solutions
- ▶ Deeper promotion of DAS solutions to strengthen lead
 - Recognized as one of the top 3 vendors of in-building/DAS systems in the world*
 - Successfully expanding DAS sales to other markets
- ▶ Promoting high speed rail solutions outside China
- ▶ Strong demand for refarming solutions in mature markets
- ▶ Global data capacity requirements driving demand for wireless enhancement solutions

* ABI Research 2011

Antennas & Subsystems



Revenue
(HK\$'000)



Review & Opportunities:

- ▶ Revenues increased by 25% to HK\$ 1,795 million
- ▶ Maintained leading position as the number one antenna supplier in China
- ▶ Recognized as one of the world's leading base station antennas vendor*
- ▶ Continued portfolio expansion to drive future growth.
 - Co-siting trend: Development of multi-port, multi-band antenna series
 - Environment: Increased range of camouflaged antenna
- ▶ Comba's LTE antennas and passives being deployed in 4G network trials and rollouts around the world

* ABI Research 2011

Wireless Access & Transmission **Comba**

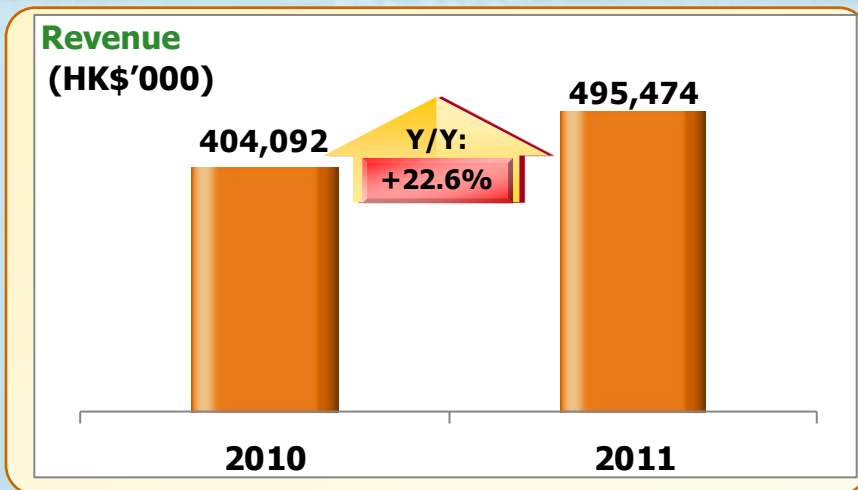
Review & Opportunities:

- ▶ Revenues increased by 23% to HK\$ 495 million
- ▶ R&D investment in development of new solutions to address increased capacity requirements

WIRELESS ACCESS

(WLAN Solutions + Femtocell Solutions)

- ▶ Strong market response to WLAN (wi-fi) solutions in various offload projects
 - Wi-fi hotspot initiatives by China operators
 - Successful wi-fi projects deployed internationally
- ▶ Continuous R&D resources on Femtocell Solutions
 - Successful trials for enterprise femtocell solutions within China
 - Value proposition to operators as an integrated offering with in-building and dual-mode offload solutions
- ▶ Exploding wireless data usage globally expected to drive offload solution demands.



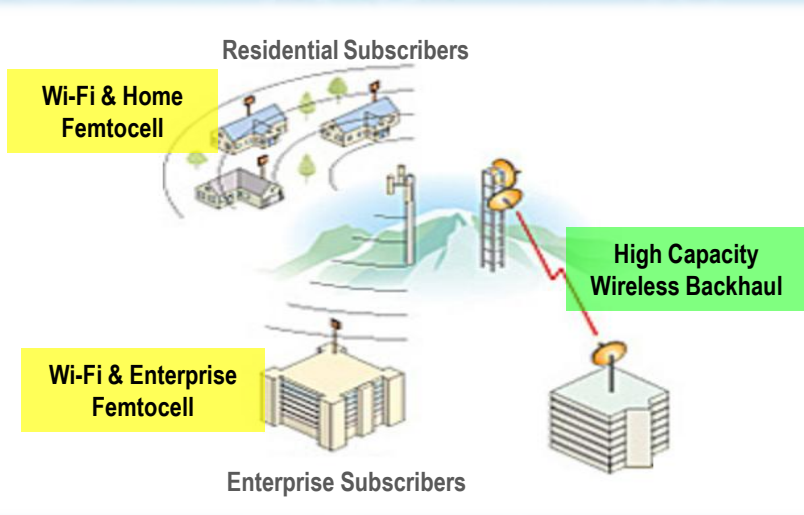
Wireless Access & Transmission **Comba**

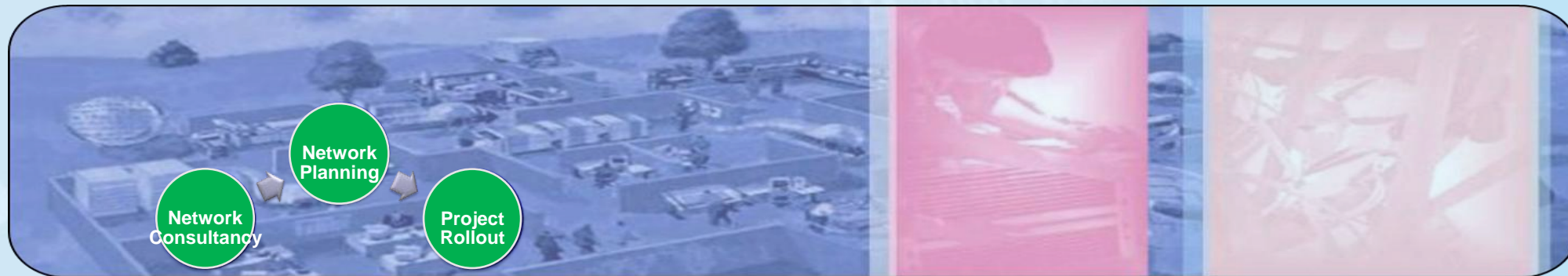


WIRELESS TRANSMISSION

(Digital Microwave Systems & Satellite Solutions)

- ▶ Expanded digital microwave solution sales to international markets around the world
 - IP backhaul solutions for LTE requirements
 - Market acceptance for cost-effective solutions and integrated microwave equipment with smaller footprint
- ▶ Introduction of satellite solutions broadens portfolio
 - Access to expanded market segment in emergency and public safety services
 - Enables complete wireless backhaul solutions for all metro area and rural area requirements
- ▶ Backhaul demand driven by:
 - Continuous 2G/3G network buildouts and enhancement
 - Volume requirements of LTE small cells
- ▶ Overall Market demand for robust wireless backhaul as an essential part of high-speed, high-capacity solutions

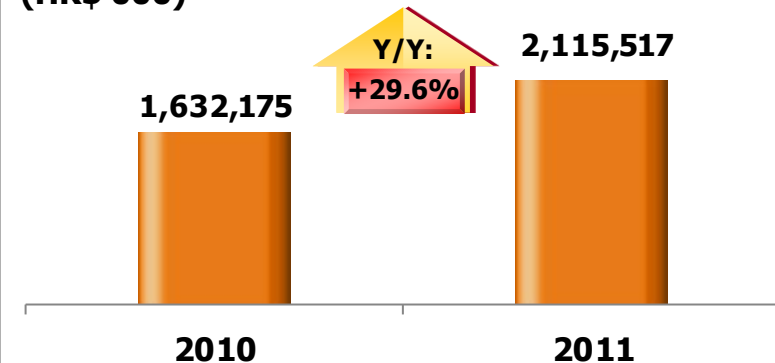




Review & Opportunities:

- ▶ Revenues increased by 30% to HK\$ 2,116 million
- ▶ Growth reflecting strategy of solution sales
- ▶ Key differential element enabling the Comba to supply total solutions
- ▶ Services include maintenance, consultation, commissioning, network optimization and project management
- ▶ Expansion of service offering teams internationally to drive future growth
 - Successful cross-sell strategy promoting services with hardware sales and vice versa

Revenue
(HK\$'000)



Summary

Comba

Lte

WiFi

133%

Key 2011 Data**

... growth in mobile data to average 597 PB/month (1 PB = 1000 TB)

6%

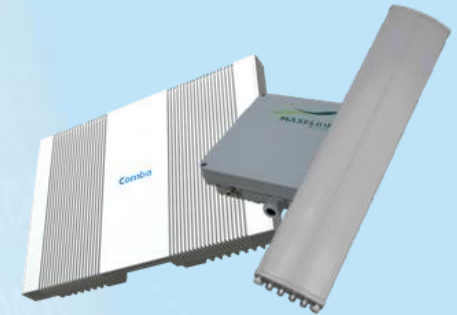
... all mobile data was generated by LTE users (0.2% of ALL users)

HSPA/
HSPA+

3G

33%

... of mobile traffic offloaded from wireless network



Capacity Crunch: Driving Wireless Solutions

Solutions/Product Portfolio Development

Global Wireless Equipment: Operator Capex

2012: US\$ 126 bn*

Increase Penetration in China market



International Expansion



* ABI Research 12/2011

** Cisco VNI : Global Mobile Data Traffic Forecast 02/2012

Wireless Enhancement



Antennas & Subsystems



Wireless Access & Transmission



Services



Open Forum



Appendix



Awarded Shares Expenses

	1H		2H		FY	
	Vesting shares (Mn) (1)	Expenses (HK\$Mn) (2)	Vesting shares (Mn) (3)	Expenses (HK\$Mn) (4)	Vesting shares (Mn) (1) + (3)	Expenses (HK\$Mn) (2) + (4)
2011	Nil	87	8.9	58	8.9	145
2012	5.7	34	Nil	20	5.7	54
2013	5.7	15	Nil	8	5.7	23
2014	5.7	4	Nil	Nil	5.7	4
Total					26	226