

Comba

京信通信系統控股有限公司

Comba Telecom Systems Holdings Limited

股份編號 Stock Code : 2342

Innovating on Business, Exploring Opportunities,
Enhancing Efficiency and Refining Operations

創新業務，開拓商機
提升效率，優化經營

2014 Annual Results Corporate Presentation

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Agenda

- Financial Highlights
- Financial Review
- Customer Review
- Business Review

Financial Highlights

- Financial Results
- Dividend & Bonus Share
- Exceptional Items
- Proforma Financial Results
- Financial Position
- Key Financial Indicators

Financial Results

<i>HK\$'000</i>	For the year ended 31 December			For the six months ended 30 Jun 2014
	2014	2013	Change	
Revenue	6,733,214	5,720,599	17.7%	3,023,575
Gross profit	1,760,010	1,365,586	28.9%	851,668
Gross profit margin	26.1%	23.9%	2.2 pp	28.2%
Operating profit / (loss)	263,199	(104,725)	351.3%	135,299
Tax	47,532	84,867	(44.0%)	36,783
Profit / (loss) attributable to shareholders	151,061	(240,722)	162.8%	72,305
Net profit / (loss) margin	2.2%	(4.2%)	6.4 pp	2.4%
Basic earnings / (loss) per share (HK cents)	9.04	(14.46) <i>(restated)</i>	162.5%	4.33 <i>(restated)</i>
Operating cash flow	141,259	300,854	(53.0%)	(647,184)

Dividend & Bonus Share

	For the year ended 31 December	
	2014	2013
Paid interim dividend per share (HK cents)	1.2	-
Proposed final dividend per share (HK cents)	1.3	-
Total dividends (HK cents)	2.5	-
Issue bonus of shares (interim)	1 for 10	-
Proposed bonus issue of shares	1 for 10	-

Exceptional Items

<i>HK\$'000</i>			For the year ended 31 December				For the six months ended 30 Jun 2014
Items	Details	2014	Margin Impact	2013	Margin Impact		
1	Cost of sales	Inventories written-off	(66,739)	GPM ▼ 1.0 pp	0	N.A.	(14,319)
2	Impairment of trade receivables	Certain overseas receivables written-off	(57,719)	OPM ▼ 0.9 pp	(31,831)	OPM ▼ 0.6 pp	(17,876)
3	Exchange (loss) / gain	Mostly from BRL	(59,183)	OPM ▼ 0.9 pp	(52,371)	OPM ▼ 0.9 pp	22,341
		TOTAL	(183,641)	NPM ▼ 2.8 pp	(84,202)	NPM ▼ 1.5 pp	(9,854)

Proforma Financial Results

(Assuming NO Exceptional Items)

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HK\$'000	For the year ended 31 December			For the six months ended 30 Jun 2014
	2014	2013	Change	
Revenue	6,733,214	5,720,599	17.7%	3,023,575
Gross profit	1,826,749	1,365,586	33.8%	865,987
Gross profit margin	27.1%	23.9%	3.2 pp	28.6%
Operating profit	446,842	(20,523)	2,277.3%	145,153
Profit attributable to shareholders	334,702	(156,520)	313.8%	82,159
Net profit margin	5.0%	(2.7%)	7.7 pp	2.7%

Financial Position

<i>HK\$'000</i>	As at 31 December			Change	As at 30 June 2014
	2014	2013			
Net (debt) / cash	(17,113)	108,575	(115.8%)	(687,514)	
Total assets	10,136,732	10,318,277	(1.8%)	10,486,904	
Total liabilities	6,370,777	6,590,386	(3.3%)	6,764,634	
Net assets	3,709,791	3,673,796	1.0%	3,668,049	
NAV per share (HK\$)	2.21	2.19 <i>(restated)</i>	0.9%	2.18 <i>(restated)</i>	

Key Financial Indicators

	For the year ended 31 December			For the six months ended
	2014	2013	Change	30 June 2014
Inventory turnover days	164	188	(24) Days	200
A/R turnover days	244	294	(50) Days	293
A/P turnover days	267	298	(31) Days	323
Gross gearing ratio	16.3%	15.1%	1.2 pp	14.8%
Dividend payout ratio	27.7%	-	N.A.	25.2%
Return on average equity	4.1%	(6.4%)	10.5 pp	3.9%

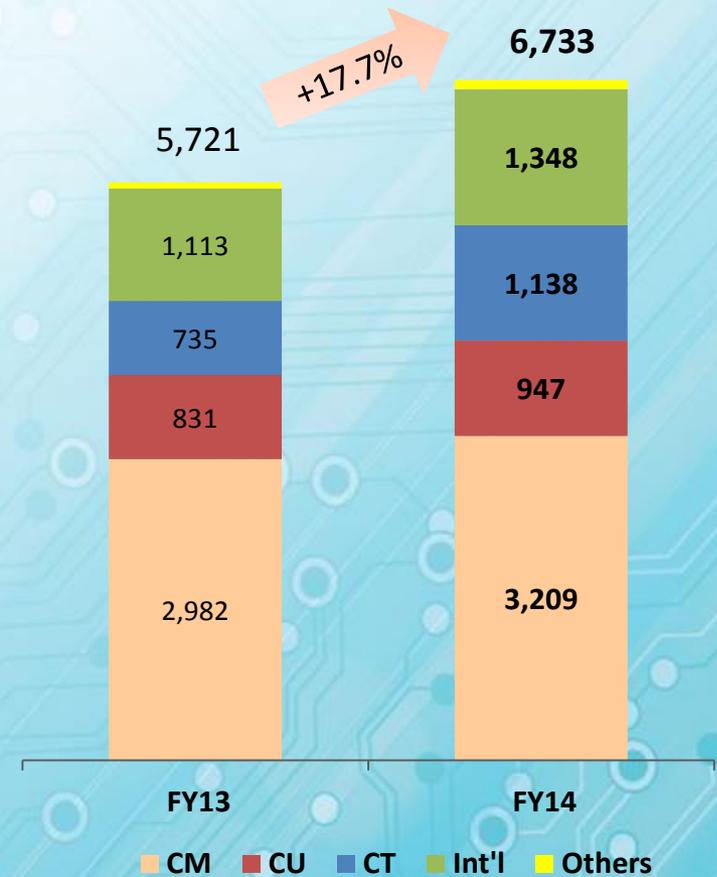
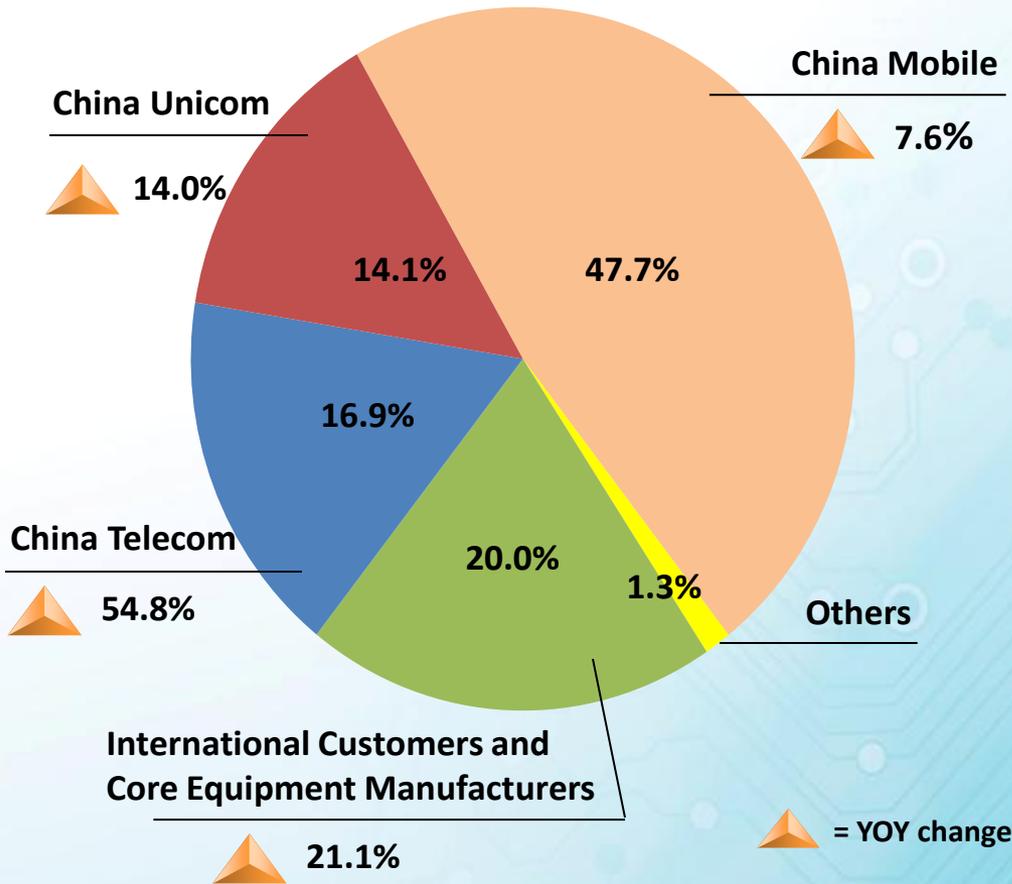
Financial Review

- Revenue Breakdown by Customers
- Revenue Breakdown by Businesses
- Cost Structure

Revenue Breakdown by Customers

For the year ended 31 December 2014

Revenue (HK\$Mn)

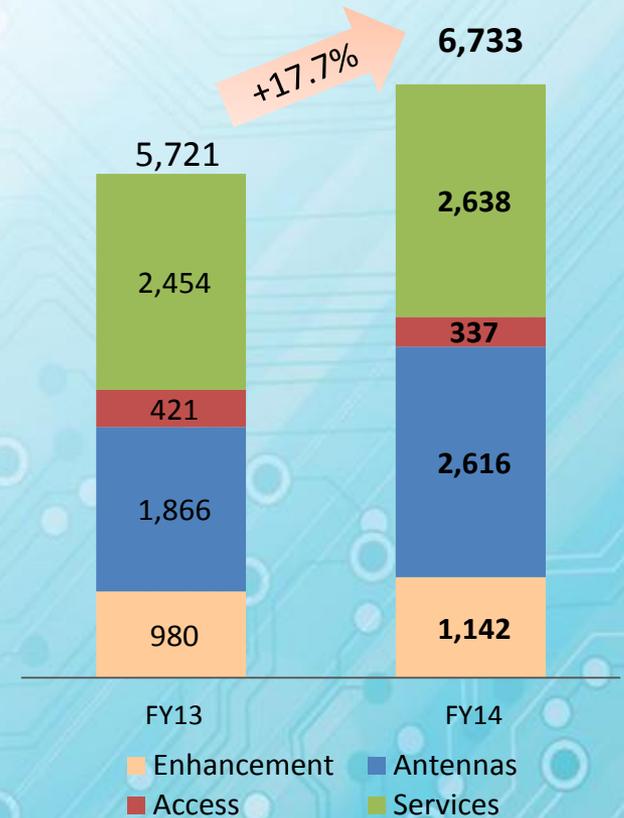
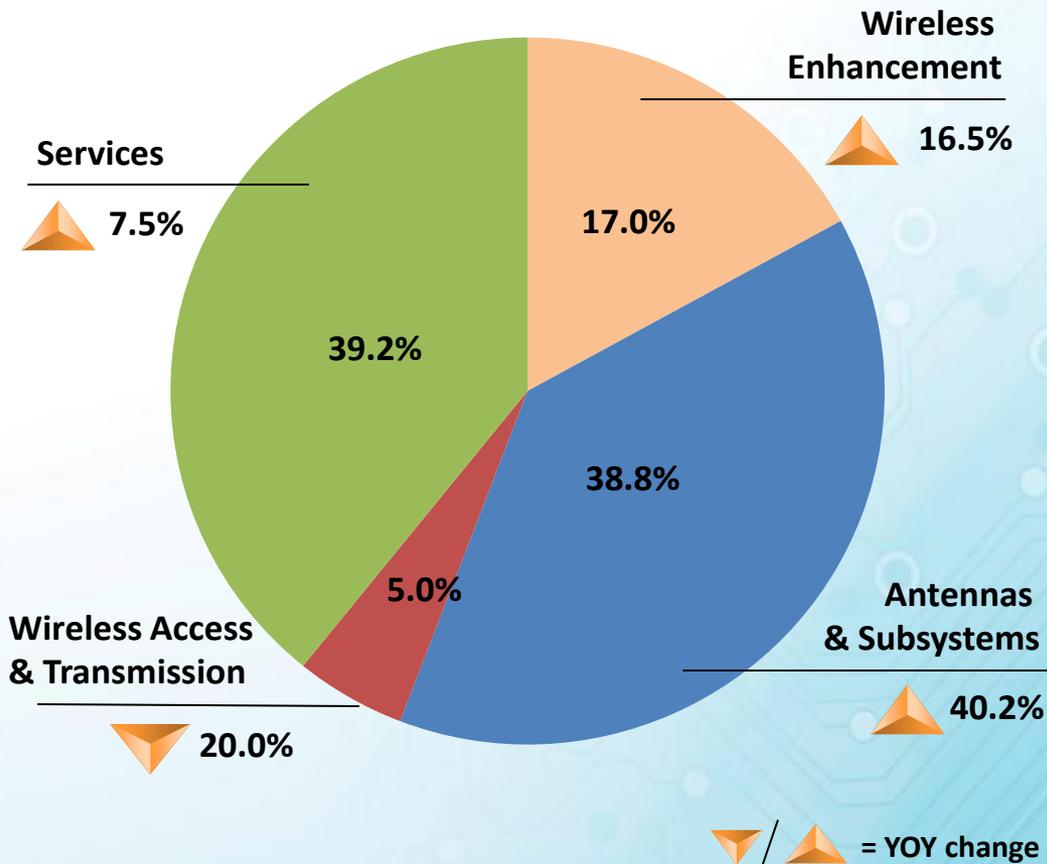


Growth in ALL Customer Segments

Revenue Breakdown by Businesses

For the year ended 31 December 2014

Revenue (HK\$Mn)

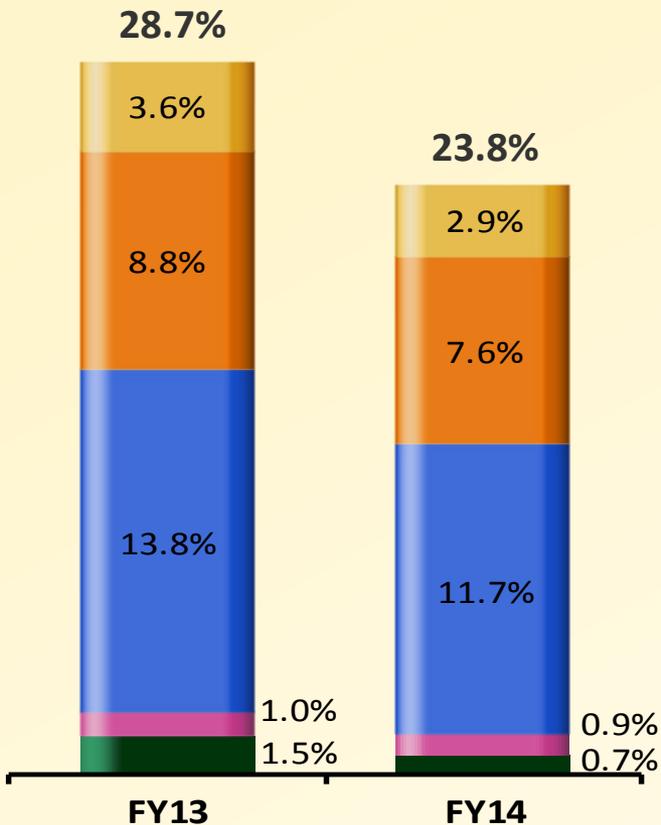


Strong Growth in Antennas & Satisfactory Growth in Wireless Enhancement

Cost Structure

For the year ended 31 December

As % of Total Revenue



▼/▲ = YOY change

- **R&D costs** ▼ 6.8%
 - Stringent costs control measures
- **Selling and distribution expenses** ▲ 0.8%
 - Enhanced operation efficiency to achieve more scale of economies
- **Administrative expenses** ▲ 0.1%
 - Stringent costs control, optimized operational structure and human resources to improve operation efficiency
- **Finance costs** ▲ 10.9%
 - Higher interest rates
- **Taxation charge** ▼ 44.0%
 - Deferred tax credit

Increasing Economies of Scale Benefits

Customer Review

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

Global Customers

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China




中国移动通信
CHINA MOBILE



China unicom 中国联通



中国电信
CHINA TELECOM



Core Equipment Vendors



HUAWEI



Alcatel-Lucent



NOKIA



ZTE 中兴



SAMSUNG



ERICSSON

EMEA




Telefonica



МЕГАФОН



TURKCELL



اتصالات
etisalat



orange™



TELE2



STC
الاتصالات السعودية



ooredoo



optimus



IQOO



Beeline™



موبايلي
mobiily



vodafone



T-Mobile



MTN



zain

APAC




true



Taiwan Mobile



CSL



SingTel



3



ZONG



Dialog



m1



中国移动通信
CHINA MOBILE



亞太電信
Asia Pacific Telecom



FAR EAST STONE



遠傳



AIS
ชีวิตใหม่บนทุก



celcom



SmarTone



MILLICOM

Americas




Telefonica



at&t



TELMEX



movistar



USACELL



metroPCS
Unlimit Yourself.



vivo



américa
móvil



e) entel



Claro



Revenue
(HK\$'000)

4,547,597

Y/Y:

+16.4%

5,294,571

FY 2013

FY 2014

Review & Opportunities:

- Revenues increased 16.4% to HK\$ 5,295 million
- China 4G market flourishing

2015 and beyond

- FDD-LTE license issuance to operators
- Operators investments in TDD network enhancement and FDD rollout drives demand
- Comba solutions are well-positioned to address:
 - Network buildouts
 - Network capacity requirements
 - Co-siting, multi-system/operator solutions

International Customers & Core Equipment Manufacturers



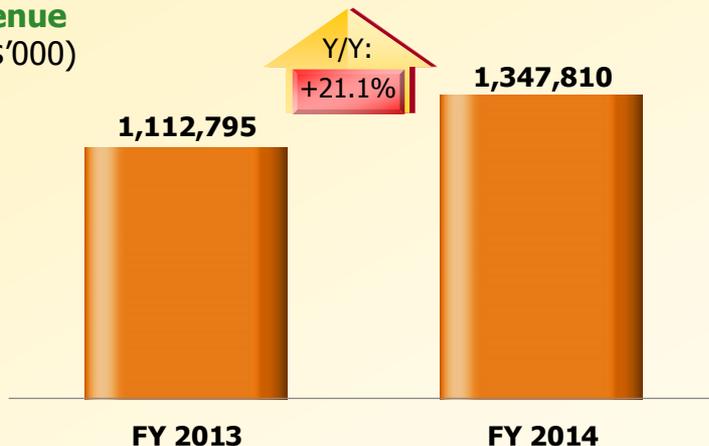
Review & Opportunities:

- Revenues increased 21.1% to HK\$ 1,348 million
- New milestone: International & Core Equipment is now the 2nd largest group revenue contributor
- Completion of major projects globally (*e.g. 2014 World Cup and Winter Games*) and new ongoing multi-year projects (*e.g. numerous transportation network projects*)

2015 and beyond

- New buildout, refarming and enhancements
- Growth in IBS verticals especially in N. America
 - *Build on success in healthcare sector for USA*
- LTE commercialization and HetNet infrastructure spending
- Alignment with operator priorities on technologies that can be deployed in next 1-2 years
- Comba solutions with established track record for global sporting events to address opportunities

Revenue
(HK\$'000)



Business Review

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

Antennas & Subsystems



Antennas



RF Front Ends



Combining Solutions

Revenue
(HK\$'000)



Review & Opportunities:

- Revenues increased 40.2% to HK\$ 2,616 million
- Strong investment on 2G/3G/4G macrocell infrastructure:
 - LTE antenna deployment for China 4G network rollout
 - International operator demand for antennas and subsystems

2015 and beyond

- Continuing China 4G network rollouts
- New and continuing 3G and 4G network buildouts around the world continues
 - LTE antennas and passives being deployed in 4G network trials and rollouts around the world
- Operators looking to squeeze as much capacity as possible out of macro layer
 - Driving demand for MIMO and carrier aggregation antenna & subsystem solutions

Wireless Enhancement



Review & Opportunities:

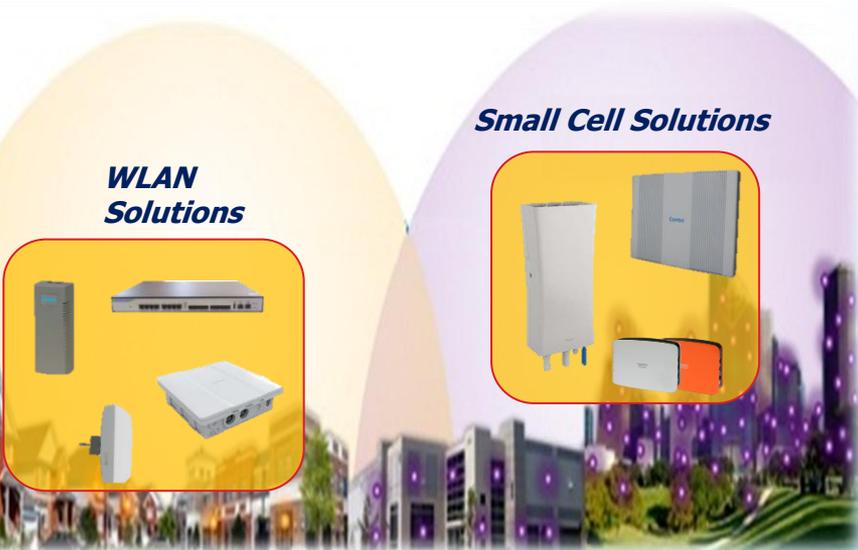
- Revenues increased 16.5% to HK\$ 1,142 million
- Completion of wireless enhancement solutions for key projects – e.g. 2014 World Cup, Sochi Winter Games, HK MTR Express Rail (ongoing), Taiwan High Speed Rail
- Huge sales growth of wireless enhancement equipment to OEM

2015 and beyond

- Long term growth of in-building wireless market
- Growth of footprint in the N. America market for outdoor DAS
- Wireless enhancement opportunities for transportation vertical
- Huge capacity demands in networks and high density areas driving wireless enhancement solutions
- Market-proven multi-band, multi-operator DAS portfolio
 - Successful deployment in key projects allows solid value proposition for upcoming major sporting events
 - Development of vertical specific DAS

Revenue
(HK\$'000)





Review & Opportunities:

- Revenues decreased 20% to HK\$ 337 million

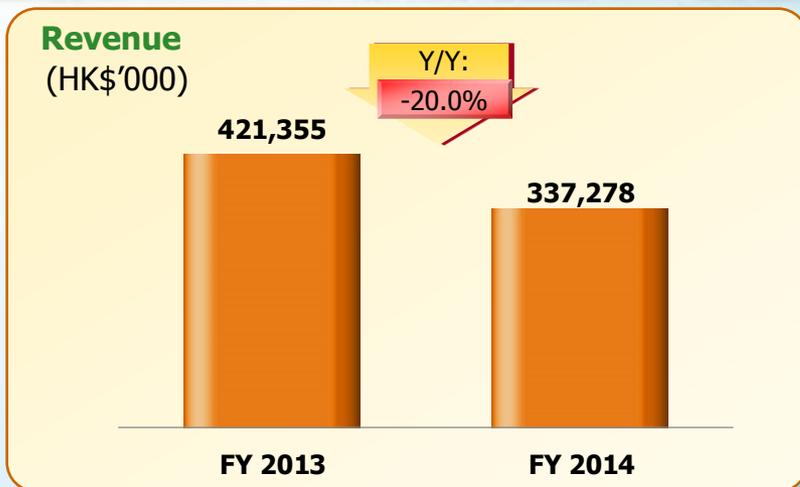
WIRELESS ACCESS

(WLAN Solutions + Small Cell Solutions)

- Deployment of 3G and 4G small cell solutions in China
- International trials of small cell solutions
- Deployment of Wi-Fi offload solutions in major international projects
- ... but offset by sharp slowdown in China Wi-Fi hotspot initiative from 2013

2015 and beyond

- Exploding wireless data usage globally driving offload solution demands.
- Solid small cell deployment from operators experiencing real benefits in small cell technology
- 2015 is seeing demand for in-building enterprise small cells and scalable small cell deployments
- Integration of small cell and Wi-Fi solutions for indoor and outdoor hetnets





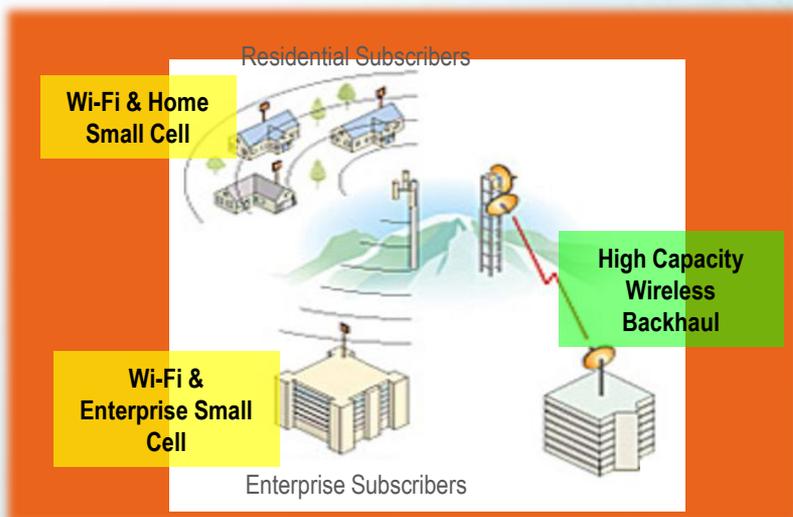
WIRELESS TRANSMISSION

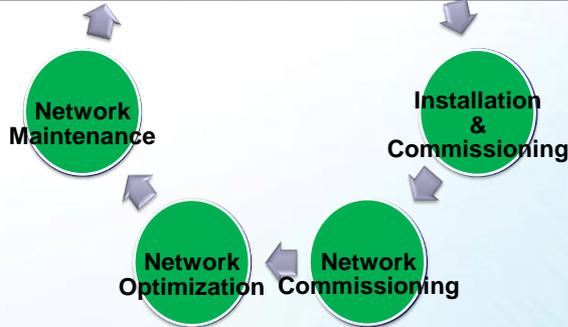
(Digital Microwave Systems & Satellite Solutions)

- Overall growth for wireless transmission solutions driven by IP networks
- Development of innovative integrated solutions
- Integration of satellite solutions to create complete wireless transmission portfolio

2015 and beyond

- Rebound in demand for microwave backhaul equipment and expected to continue (Source: Dell'Oro)
- Demand for IP microwave full outdoor systems
- High-speed and high-capacity network requirements to drive backhaul solution demands
 - 4G license issuance in China fuelling further growth and already deployed for LTE backhaul
 - Other IP based network deployments around the world (LTE, LTE-A, 3G)
 - Small Cell backhaul

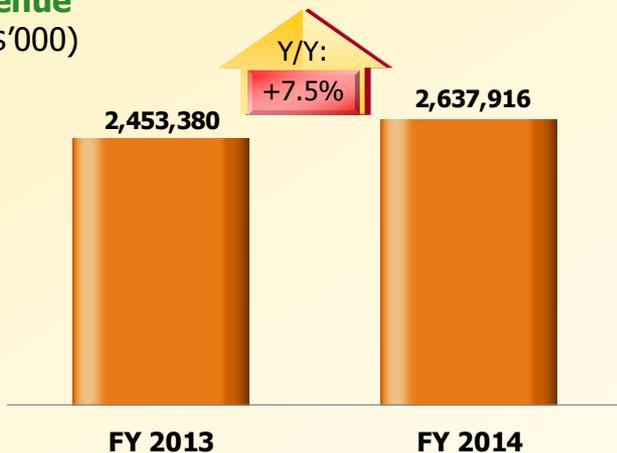




Review & Opportunities:

- Revenues increased 7.5% to HK\$ 2,638 million
- Key differential element enabling the Comba to supply total solutions
- Services include maintenance, consultancy, commissioning, network optimization and project management
- Established service offering teams internationally to drive growth
 - Successful cross-sell strategy promoting services with hardware sales and vice versa

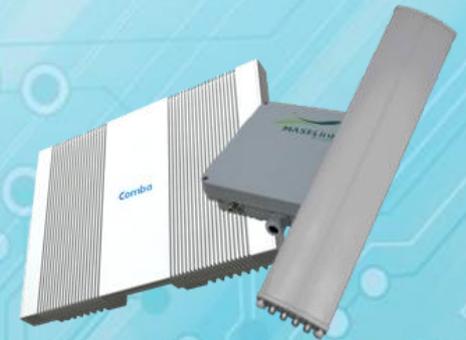
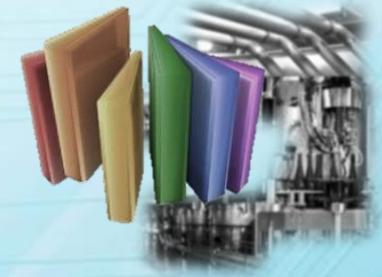
Revenue
(HK\$'000)



Summary

Comba

- Positive market conditions and outlook for the industry and company
 - China 4G network rollouts (FDD and TDD)
 - Long term opportunities for high-end solutions
 - Continued international growth
 - LTE-related spending is the fastest growing segment
 - Opportunities in 3G wireless solutions for developing markets
- Solidified brand value and market position with success of major international projects
- Expanding initiatives to deepen penetration with global operators and major core equipment vendors
- Continuous development of Comba products and solutions to maintain position in meeting demands for data capacity and network rollout solutions



Open Forum