

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



2016 Annual Results Corporate Presentation

Exploring Opportunities + Creating Value

開拓商機 + 創新價值

Reforming Mechanism + Enhancing Efficiency

變革機制 + 提升效能

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Agenda

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I. Financial Highlights

II. Financial Review

III. Selected Achievements

IV. Customer Review

V. Business Review

Financial Highlights

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Financial Results

Dividends & Bonus Share

Exceptional Item

Proforma Financial Results

Financial Position

Key Financial Indicators

Financial Results



HK\$'000	For the year ended 31 December			For the six months ended
	2016	2015	Change	30 Jun 2016
Revenue	5,954,328	6,770,894	(12.1%)	3,098,952
Gross profit	1,728,391	1,914,490	(9.7%)	934,013
Gross profit margin	29.0%	28.3%	0.7%	30.1%
Operating profit	301,628	396,540	(23.9%)	198,183
Tax	99,726	109,755	(9.1%)	57,944
Profit attributable to shareholders	152,257	212,876	(28.5%)	112,508
Net profit margin	2.6%	3.1%	(0.5%)	3.6%
Basic earnings per share (HK cents)	6.23	8.69 <i>(restated)</i>	(28.3%)	4.6 <i>(restated)</i>

Dividends & Bonus Shares



	For the year ended 31 December	
	2016	2015
Paid interim dividends per share (HK cents)	1.5	1.5
Proposed final dividends per share (HK cents)	0.8	1.8
Total dividends (HK cents)	2.3	3.3
Issued bonus of shares (interim)	1 for 10	1 for 10
Proposed bonus issue of shares	--	1 for 10

Exceptional Items



	HK\$'000	Details	For the year ended 31 December				For the six months ended
			2016	Margin Impact	2015	Margin Impact	30 Jun 2016
1	Cost of sales	Inventories written-off	(83,587)	GPM ▼ 1.4%	(71,500)	GPM ▼ 1.1%	(92,655)
2	Impairment of trade receivables	Certain overseas receivables written-off	(46,568)	OPM ▼ 0.8%	(16,848)	OPM ▼ 0.2%	(41,276)
3	Exchange gain (loss)	Mostly from BRL	69,458	OPM ▲ 1.2%	(134,842)	OPM ▼ 2.0%	63,028
4	Fair Value change of a derivative instrument	Hedge against BRL fluctuation	(59,559)	OPM ▼ 1.0%	(1,501)	OPM ▼ 0%	(48,026)
		TOTAL	(120,256)	NPM ▼ 2.0%	(224,691)	NPM ▼ 3.3%	(118,929)

Proforma Financial Results

(Assuming NO Exceptional Items)



HK\$'000	For the year ended 31 December			For the six months ended
	2016	2015	Change	30 Jun 2016
Revenue	5,954,328	6,770,894	(12.1%)	3,098,952
Gross profit	1,811,978	1,985,990	(8.8%)	1,026,668
Gross profit margin	30.4%	29.3%	1.1%	33.1%
Operating profit	421,884	621,231	(32.1%)	317,112
Profit attributable to shareholders	272,513	437,567	(37.7%)	231,437

Financial Position



HK\$'000	As at 31 December		Change	As at 30 June 2016
	2016	2015		
Net cash	260,800	647,829	(59.7%)	179,791
Total assets	8,954,959	9,574,875	(6.5%)	9,071,475
Total liabilities	5,461,810	5,863,088	(6.8%)	5,396,359
Net assets	3,437,687	3,652,531	(5.9%)	3,616,666
NAV per share (HK\$)	1.40	1.48 <i>(restated)</i>	(5.4%)	1.47 <i>(restated)</i>

Key Financial Indicators



	For the year ended 31 December			For the six months ended
	2016	2015	Change	30 June 2016
Inventory turnover days	133	149	▼16 Days	136
A/R turnover days	239	225	▲14 Days	247
A/P turnover days	266	251	▲15 Days	269
Gross gearing ratio	15.3%	14.3%	▲1%	12.1%
Dividend payout ratio	36.9%	31.4 %	▲5.5%	29.6%
Return on average equity	4.3%	5.8%	▼ 1.5%	6.2%

Financial Review



Revenue Breakdown by Customers

Revenue Breakdown by Businesses

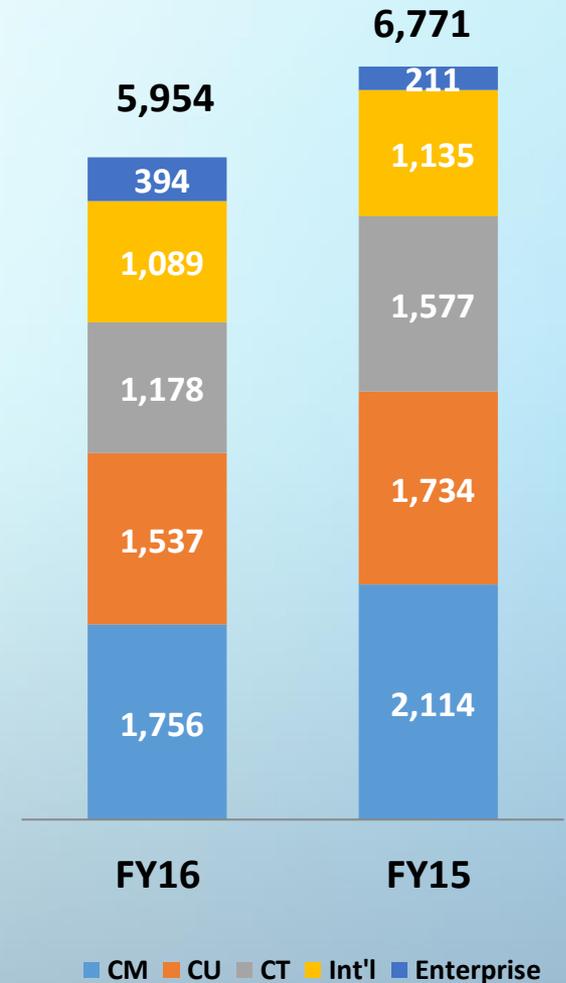
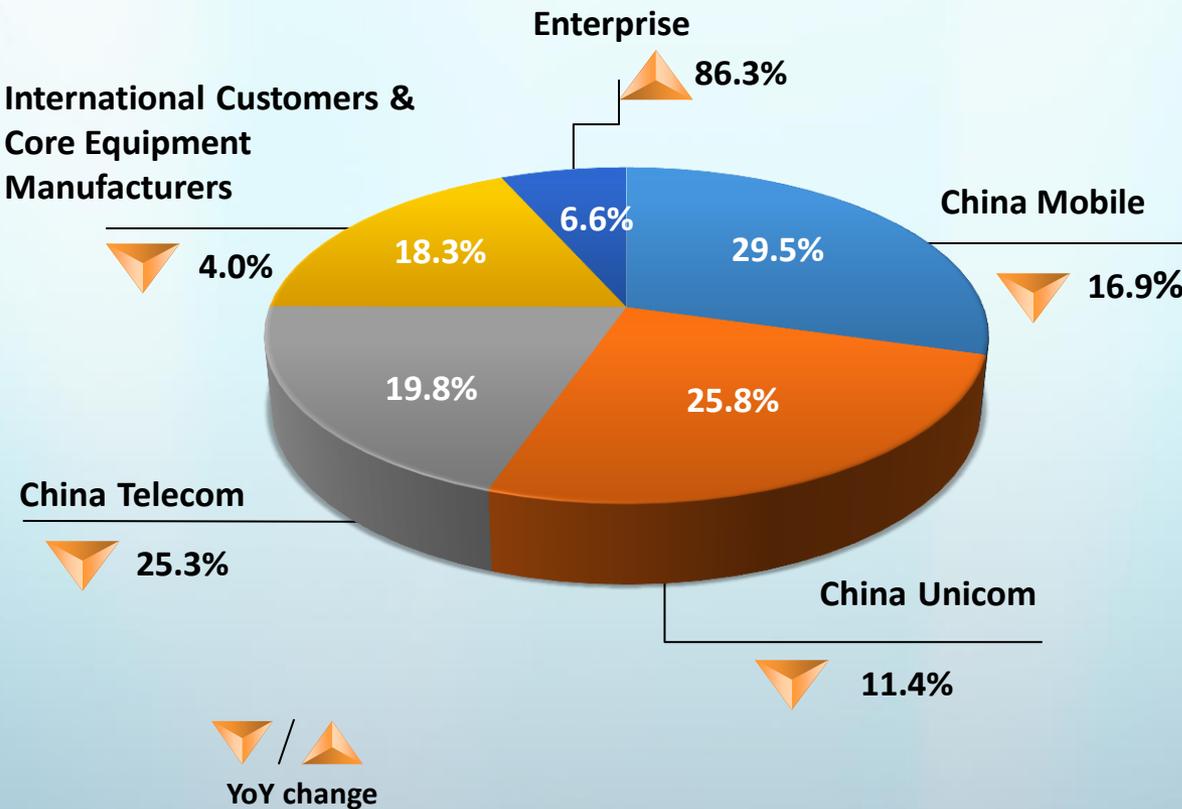
Cost Structure

Revenue Breakdown by Customers



For the year ended 31 December 2016

Revenue (HK\$ Mn)

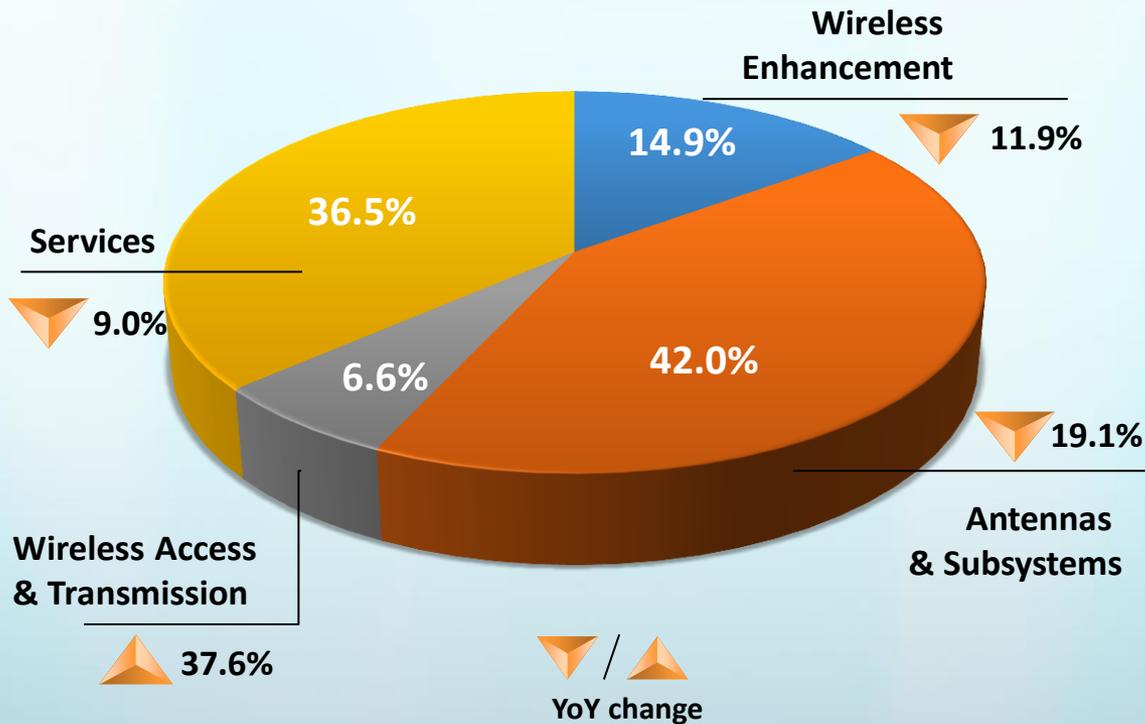


***China Tower accounted for approx. 70% in "Enterprise"

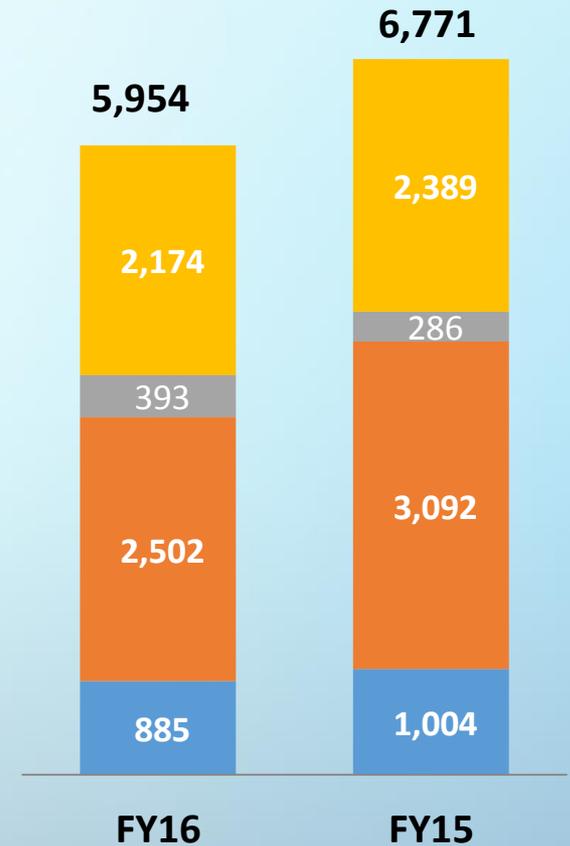
Revenue Breakdown by Business



For the year ended 31 December 2016



Revenue (HK \$ Mn)



- Services
- Access & Transmission
- Antennas
- Enhancement

Cost Structure

For the year ended 31 December

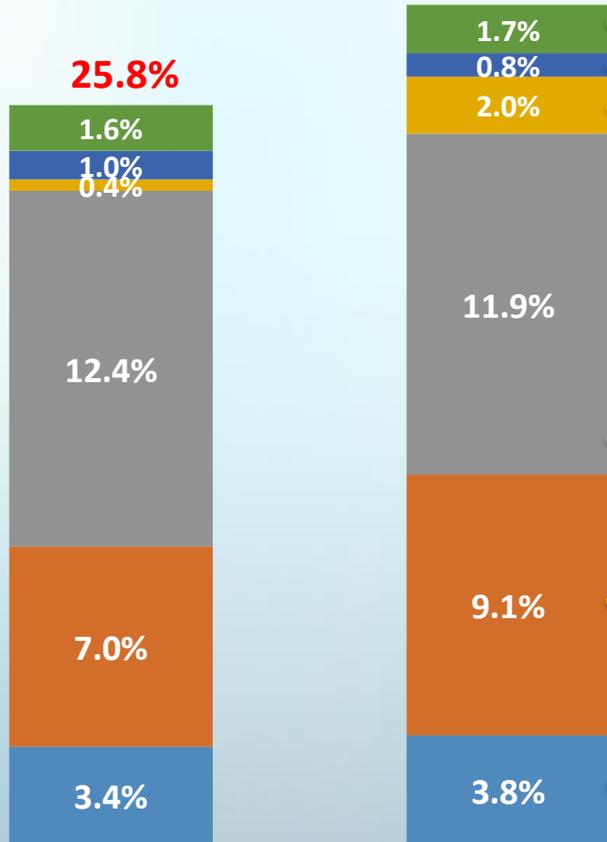
As % of Total Revenue



▼/▲ = YOY change

- R&D
- Admin
- Fin Cost

- S&D
- Other Expenses
- Tax



- Taxation Charge (HK\$99.7 M)** ▼ 9.1%
 - Decrease in operating profit
- Finance Cost (HK\$47.0 M)** ▼ 30.5%
 - Less bank borrowings in the 1st half year
- Other Expenses (HK\$119.1 M)** ▲ 329.3%
 - Loss on fair value change of a derivative fin instrument
 - Impairment of trade receivables
- Administrative Expenses (HK\$709.6 M)** ▼ 15.1%
 - Absence of Exchange Loss Impact
- Selling and Distribution Expenses (HK\$544.1M)** ▲ 15%
 - More marketing Activities
- R & D Cost (HK\$227.6 M)** ▼ 1.4%
 - New product offerings
 - Keep abreast of latest technology development

FY15

FY16



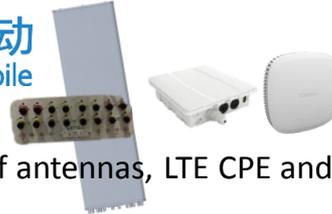
Selected Achievements

Operators

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中国移动
China Mobile



Major supplier of antennas, LTE CPE and Small Cells



中国电信
CHINA TELECOM

4G LTE antenna supplier



Nationwide deployment of antennas



Operators



Supply of antennas to AT&T Mexico



Stadium wireless network supplied for lead operator

2016 Rio Summer Games

Enterprise

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Avrasya
TÜNELİ

EurAsia Tunnel
Turnkey tunnel solution



web summit

Arenas & Stadiums
Wireless solution
@MEO Arena, Portugal



Public Safety
Launch of CriticalPoint
BDA and DAS



Enterprise



Dongguan Metro
DAS deployment for
line 2 of Dongguan
Metro



**Xue Long Arctic
Research Vessel**
Supply in-vessel, high
capacity network
using femto



Alfamart

Wireless broadband
network to Indonesian
retailer



USA Healthcare sector
Numerous neutral host
DAS deployed.

Ingalls



Core Equipment Manufacturers

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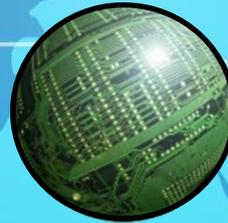
Long term DAS solution to core equipment vendor in Americas



Joint 5G antenna technology development with core equipment vendor



OEM



European vendor supplied with Small Cell Equipment



Global Achievements

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American Tower Corp
Awards Comba
- Best DAS
Supplier



Grand Technology Achievement Award
Awarded prize for
ComFlex DAS

**香港工商業獎
HONG KONG
AWARDS FOR
INDUSTRIES**



Awards



China Institute of Communications
Awarded prize for achievements in
SON technology



EJL Wireless Research
Tier 1 Antenna Supplier:
Named by EJL Wireless
Research for 6th year



Customer Review



Review

- Revenue down 14% to HK\$4.9 billion
- Post-LTE macro network buildout complete
- Growth in China enterprise segment (8% of China business)
- Investment in efficient manufacturing capabilities

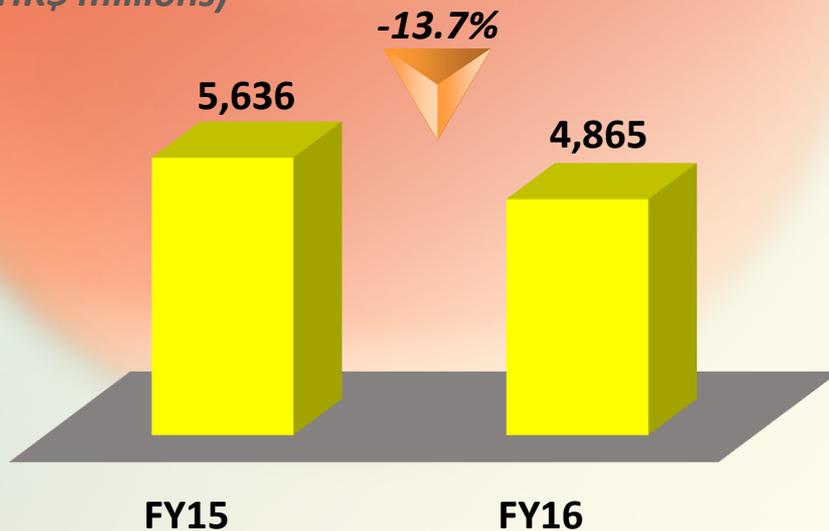


Outlook

- Continuing Antenna rollouts
 - China Mobile & China Telecom antenna procurement
- Wireless enhancement phase is now happening
 - Large scale femto deployments in Hubei and Beijing
 - Ongoing MDAS order
- Capacity demands drives network densification and future technology

Revenue

(HK\$ millions)



International Customers & Core Equipment Manufacturers



Review

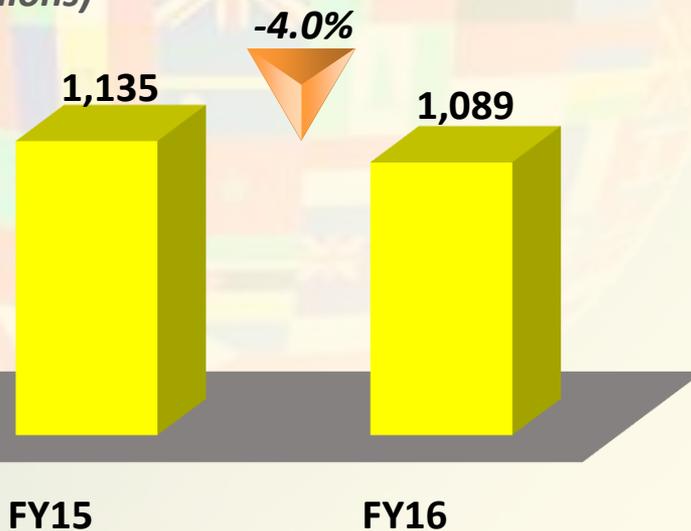
- Revenue down 4% to HK\$1.1 billion
- Global industry slowdown in wireless infrastructure spending
- Balanced customer portfolio → mix of enterprise (22% of revenue) and operator



Outlook

- Network densification trend will quicken
 - Scalable DAS solutions
 - Network swap outs
- New 4G network buildouts in certain markets
- Strengthen OEM offerings
- New products for critical communications & public safety
- 4.5G and 5G

Revenue (HK\$ millions)



Business Review



Antennas & Subsystems

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Revenue
(HK\$ millions)

3,092



-19.1%

2,502

FY15

FY16



Review

- Revenue down 19% to HK\$2.5 billion
- Post peak slowdown in LTE network rollout in China
- Increased sales demand for multi-port/band antenna
- Growth in international antenna revenue



Outlook

- Reducing load on cell sites → Smart/Active Antenna Systems
- Capacity upgrades → adding bands to antennas
- Deployment of antenna globally. Telefonica, China Mobile, China Telecom, Turkcell, AT&T
- Joint development of antenna technology with major OEM vendor for long term returns

Wireless Enhancement

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Review

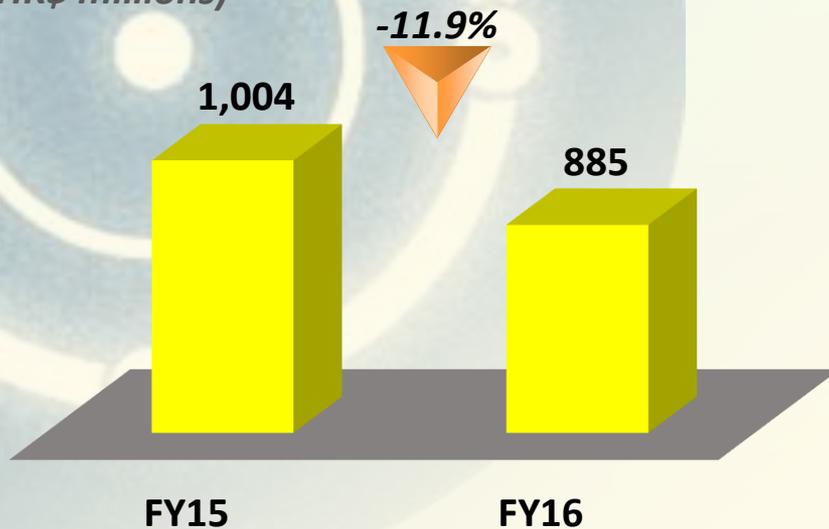
- Revenue down 12% to HK\$885 million
- General global slowdown



Outlook

- China wireless enhancement: Success in mDAS
- Industry vertical and neutral host penetration with DAS
 - Ongoing railway projects in Europe and Asia
 - Neutral hosts in North America healthcare
- Growth in OEM/Core Equipment Vendor segment
- Hybrid DAS integrating small cell

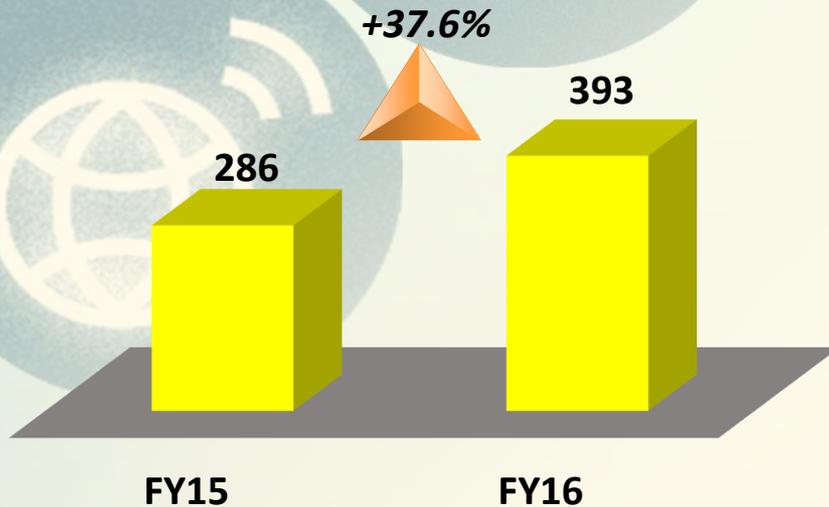
Revenue (HK\$ millions)



Wireless Access & Transmission

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Revenue
(HK\$ millions)



Review

- Revenue up 38% to HK\$393 million
- Breakthrough wireless access sales to OEM
- Wireless broadband decline
- Wireless transmission stable growth



Outlook

- Ongoing major Small Cell deployment in China. E.g. Hubei, Beijing
- Inroads into OEM for small cells
- Hybrid DAS integrating small cells
- Integrated MEC solutions paving future growth
- IP Networks and 5G deployments spurring wireless backhaul



Review

- Revenue down 9% to HK\$2.2 billion
- Successful focus on quality service revenues → higher margins and profitability

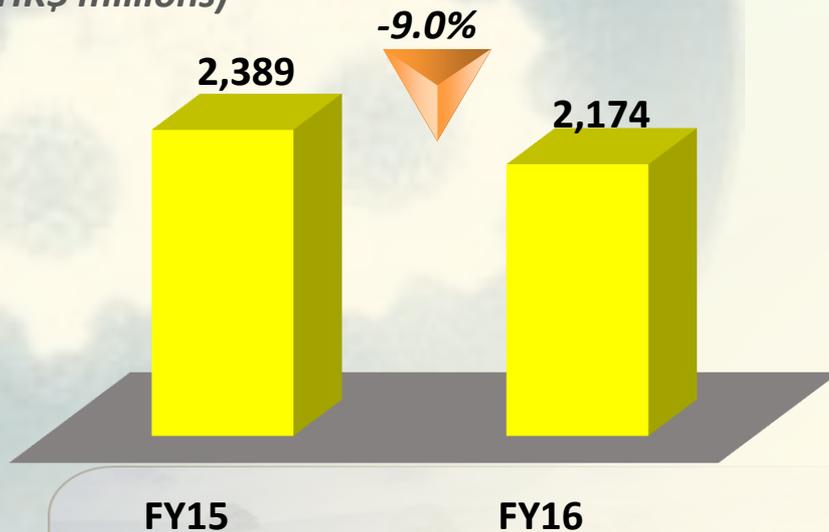


Outlook

- Key differential element
- Services include maintenance, consultation, commissioning, network optimization and project management
- International service offerings

Revenue

(HK\$ millions)



Summary

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1. Long term stability & growth:

- Cyclical slowing of growth generally. Pockets of growth include:
 - LTE and LTE-A investment in certain markets
 - Network densification
 - 4.5G and 5G for the future
- **Already building the revenue growth foundations for 2017 and beyond:**
 - China 4G network enhancements (FDD and TDD)
 - Continued international opportunities
 - Network densification & enhancement for mature markets
 - New network buildouts & upgrades for developing markets
 - Growth in enterprise segments
- **Diversification for new opportunities**
 - Network virtualization
 - Smart cities



Thank You

